



STATE OF MARYLAND
Comprehensive Annual
FINANCIAL
Report

FISCAL YEAR ENDED JUNE 30, 2013

STATE *of* MARYLAND

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2013

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Governor

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Lieutenant Governor

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Comptroller

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State of Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emen".

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HELLO

A MESSAGE FROM COMPTROLLER PETER FRANCHOT



Respect, Responsiveness and Results. Those are the edicts of the Comptroller's Office. Over the last year, my office has redoubled our efforts to provide world-class customer service, safeguard taxpayers' hard-earned dollars and operate in the most effective and efficient manner possible to ensure the best result. That's what the taxpayers of Maryland expect, and it's what they deserve. These are my "Three Rs of Taxpayer Service" and they're also instructive of everything we do at the Comptroller's Office.

Respect through Fiscal Responsibility

The taxpayers of Maryland are our customers, and valuing them is at the forefront of everything we do. In that same vein, protecting their hard-earned money and ensuring that it's spent effectively is a paramount priority in the Comptroller's Office. That means standing up against wasteful and indiscriminate spending as a Member of the Board of Public Works, requiring state agencies to make purchases more efficiently and going paperless to save taxpayer dollars and our precious natural resources.

Responsiveness in Taxpayer Services

Everyone gets frustrated by government inaction. At the Comptroller's Office, we pride ourselves in being responsive. While taxpayers may not always like what we have to say, they appreciate our dedication to communicating quickly. By using advances in technology, we strive to offer fast solutions to the needs of all taxpayers.

Results by Tax Fairness

I pride myself in the results my agency delivers every day: by making the process as easy as possible for the vast majority of Marylanders who pay their fair share and by aggressively going after those who don't. Thanks to hardworking personnel, innovative enforcement techniques and significant investments in technological advancements, the Comptroller's Tax Fairness Initiative successfully has recaptured more than \$3.65 billion in heretofore uncollectible taxes.

I am proud of our agency's dedicated team and the work we do each day to deliver respect, responsiveness and results to the taxpayers we serve.

Comptroller Peter Franchot

RESPECT

through fiscal responsibility



Comptroller Franchot is committed to being an independent, fiscal watchdog of taxpayers' hard-earned money, ensuring that it's spent efficiently and that government delivers the best possible services.

As a member of the Board of Public Works, the Comptroller routinely has opposed wasteful and inappropriate spending and has supported cost-effective initiatives such as geothermal heating and cooling and improved school maintenance.

In dealing with tens of thousands of vendors each year, the Comptroller's Office requires private service providers who receive more than \$50,000 per year or more than six checks annually to sign up for electronic payments. This saves the state nearly \$100,000 in postage. Additionally, by encouraging state agencies to use the state's corporate purchasing card, the Comptroller has helped save the State of Maryland \$196,000 in postage and envelopes each year as well as earning more than \$4 million in rebates.

The Comptroller's Office is dedicated to saving green by going green. Comptroller Franchot strongly encourages Maryland residents to file their personal income tax returns electronically and has directed staff to limit the printing and mailing of tens of thousands of paper tax booklets and forms.

RESPONSIVENESS

in taxpayer services



Comptroller Franchot and his staff have redoubled their efforts to provide world-class customer service. In fact, he recently designated his agency employees as “taxpayer employees” to remind the Comptroller’s staff who they are here to serve.

A growing number of Maryland taxpayers took advantage of the office’s innovative online services for swift and simplified service. More than 2.2 million Marylanders filed their taxes electronically last year saving the state millions in processing costs and ensuring that taxpayers generally get their refund payments within three business days.



Additionally, 154,000 individual taxpayers used the agency’s free online filing service while thousands of taxpayers continue to take advantage of our free B-file and online BillPay services.



RESULTS

by tax fairness



Everyone deserves a level playing field. That's why the Comptroller's Office works hard to protect the millions of Marylanders who do the right thing by aggressively going after those who don't. The agency continues to get results by using new advances in technology and good old-fashioned hard work. Since taking office, Comptroller Franchot and his staff successfully have collected more than \$3.6 billion in previously uncollectible, delinquent tax revenues. These are not new taxes, but taxes rightfully owed to the state.

Data Warehouse

Through investments in state-of-the-art compliance technology, the agency has identified and collected more than \$225 million in delinquent tax payments through its newly-established data warehouse. When fully implemented, the program will enable the state to recapture \$100 million in owed money each year. In addition, the new technology has enhanced the agency's ability to identify fraudulent returns and already has stopped the payment of millions in undeserved refunds.

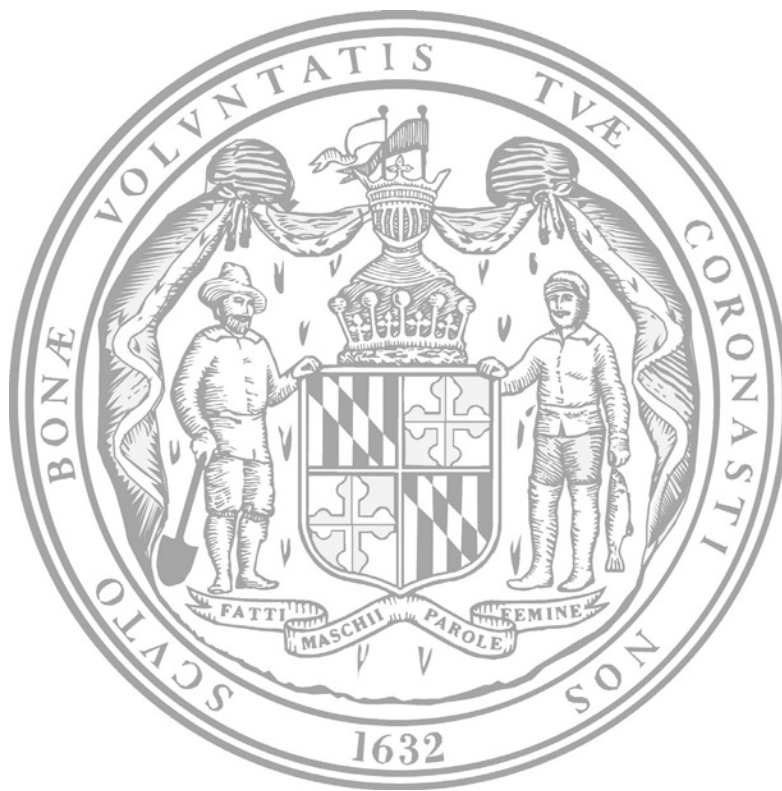
Federal Vendor Offset

The Comptroller's Office uses innovative partnerships with federal government agencies to collect back taxes and other money owed the state from tax scofflaws. Since implementing the nation's first federal vendor offset program, Maryland has recovered more than \$70 million from federal contractors with unsatisfied state liabilities.

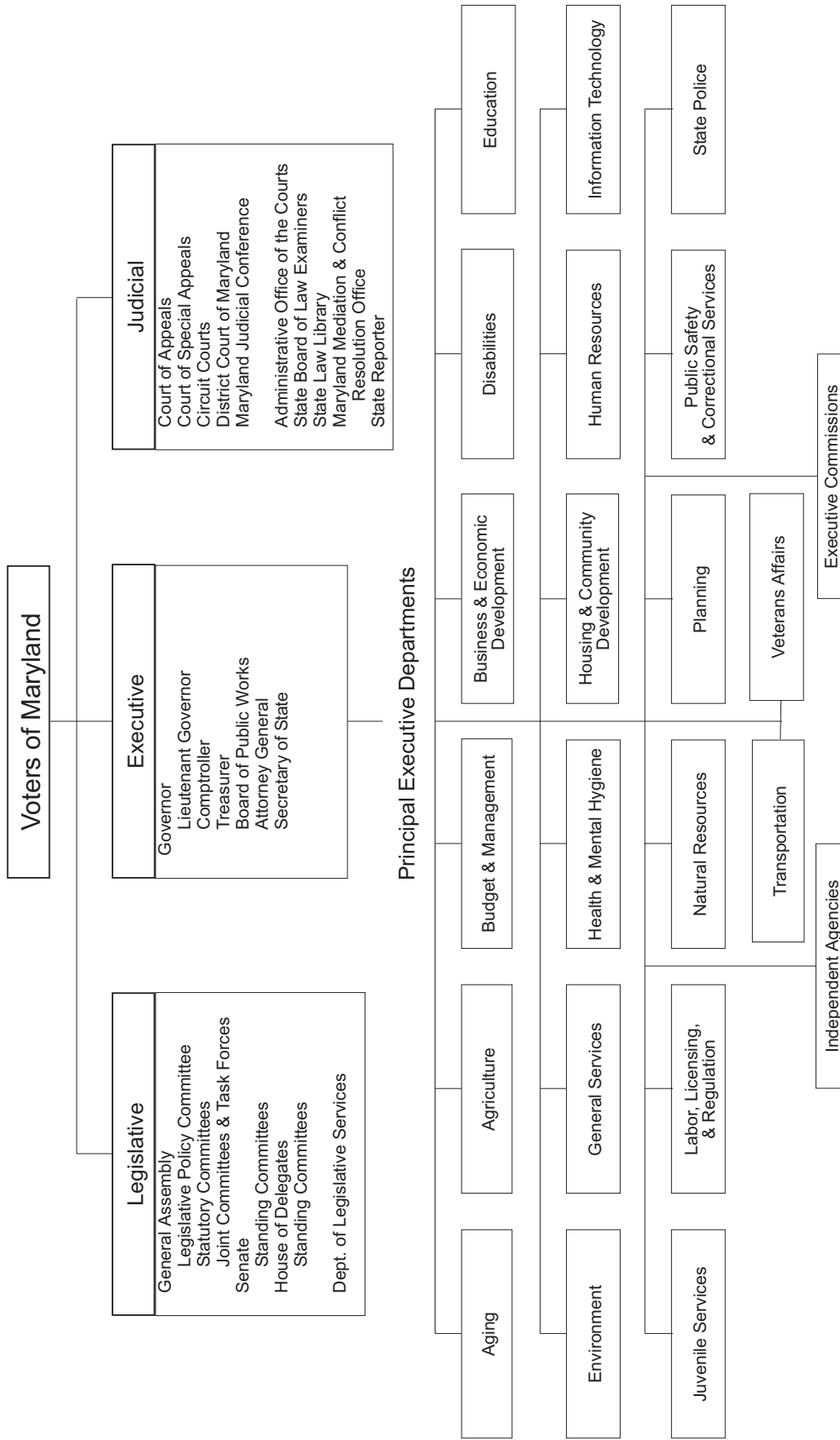
Stopping Contraband Cigarettes

To protect law-abiding businesses, consumers and minors, the Comptroller's Office is stopping the smuggling of illegal cigarettes into Maryland. In fiscal year 2013, agents arrested 170 individuals and confiscated contraband cigarettes valued at \$2.4 million. Comptroller Franchot also led the effort to pass legislation to increase penalties for cigarette smuggling to more effectively combat the growing epidemic of cigarette smuggling. This saved the state millions in lost revenue and helped to keep contraband off our streets and out of the reach of kids.





OVERVIEW OF MARYLAND STATE GOVERNMENT



STATE OF MARYLAND

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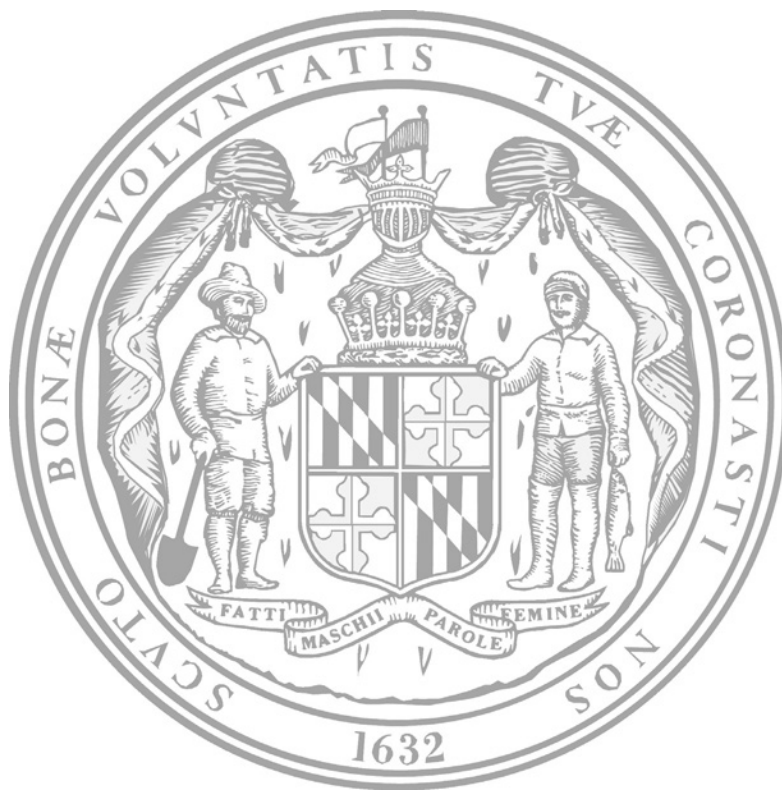
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INTRODUCTORY

Section





Peter Franchot
Comptroller

Honorable Members of the General
Assembly and the Governor,
State of Maryland

December 13, 2013

The Comprehensive Annual Financial Report (CAFR) of the State of Maryland (State), for the Fiscal Year ended June 30, 2013, includes the financial statements of the State as well as information required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the Comptroller.

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of Maryland's records, by the Legislative Auditor at least every three years. The Legislative Auditor is required to be and is a certified public accountant. The Legislative Auditor makes fiscal, compliance and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

Additionally, my office requires an audit of the State's basic financial statements by a firm of independent auditors selected by an audit selection committee composed of members from the Executive and Legislative branches of State government. This requirement has been compiled with, and the opinion of SB & Company, LLC, has been included in the financial section of this report. SB & Company, LLC is also performing an audit to meet the requirements of the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and such information will be contained in another reporting package.

The State has issued guidelines to its agencies for establishing effective internal controls. As a recipient of Federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This compliance is accomplished through the internal control guidelines. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements include all funds of the State (primary government), as well as all component units. Component units are legally separate entities for which the primary government is financially accountable. The various colleges and universities, the College Savings Plans of Maryland, and the Maryland Stadium Authority are reported as major component units. The Maryland Environmental Service, the Maryland Industrial Development Financing Authority, the Maryland Food Center Authority and the Maryland Technology Development Corporation are combined and presented as non-major component units.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.

Background Information on the State:

Maryland ratified the United States Constitution on April 28, 1788. Its capitol is Annapolis, where the principal activities of state government are centered. Its employment is based largely in services, trade and government. These sectors, along with finance, insurance and real estate are the largest contributors to the gross state product. The State has a bicameral legislature, the General Assembly, composed of the Senate with 47 members and the House of Delegates with 141 members. The General Assembly meets annually for a 90-day session beginning on the second Wednesday in January.

The Maryland Constitution requires the Governor to submit to the General Assembly a balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally

mandated budgetary fund structure. Each State agency is provided appropriations at a program level, which is the level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations. Maryland maintains its accounts to conform with the legally mandated budget and also to comply with generally accepted accounting principles. Financial control is generally exercised under the budgetary system.

There is a Spending Affordability Committee which consists of certain designated officers of the General Assembly and other members as may be appointed by the President of the Senate and the Speaker of the House of Delegates. Each year the Committee must submit a report to the General Assembly's Legislative Policy Committee and to the Governor recommending the level of State spending, the level of new debt authorization, the level of State personnel and the use of any anticipated surplus funds.

Also, the General Assembly created a Capital Debt Affordability Committee, the members of which are the Treasurer, the Comptroller, the Secretary of Budget and Management, the Secretary of Transportation, and one person appointed by the Governor. This Committee is required to submit to the Governor by September 10 of each year an estimate of the maximum amount of new general obligation debt that prudently may be authorized. The Committee's recent reports encompass all tax supported debt, in addition to the general obligation debt, bonds issued by the Department of Transportation, bonds issued by the Maryland Stadium Authority and capital lease transactions. Although the Committee's responsibilities are advisory only, the Governor is required to give due consideration to the Committee's finding in preparing a preliminary allocation of new general obligation debt authorizations for the next ensuing fiscal year.

Information on the State's Economic Condition:

Maryland's economy displayed resilience throughout the Great Recession; however, the recovery has been tepid, even more so than for the nation as a whole. Many of the headwinds confronting the national economy bear a disproportionately greater impact for Maryland – particularly those related to tax changes and the federal budget. Real gross-state-product grew 2.4% in 2012 and is expected to slow to 1.5% for 2013 and then back to 2.4% in 2014. The heavy federal government presence within the State served as a barrier against much of the recessionary devastation, though for the near term this asset has become a liability as federal budget sequester has been implemented, the federal government was temporarily shut down, and general federal austerity remains atop the news cycle. That said, the outlook for the private sector is bright as the more forward looking private sector that is directly connected to the federal outlays made principal adjustments back in 2011 and 2012 and those with only secondary relationships (non-federal focused industries) are expanding, albeit at a moderate pace.

Much of the uncertainty surrounding federal budget sequestration remains, though its estimated impact for Maryland has lessened greatly relative to estimates prior to commencement. First, the private sector seems to have taken a defensive position in early 2011 as the Budget Control Act of 2011 was considered by policy makers prior to its passage that August. Maryland's private sector's planning actions are evident in the divergence between private sector employment growth for the nation as a whole and Maryland; while growing, the pace of growth has lagged behind the nation in each of the last three years.

Furthermore, to date, the direct impact for federal employment in Maryland has been muted relative to the national impact. Maryland federal employment in 2011 was boosted by the statutory September 2011 end date of the 2005 Base Realignment and Closure (BRAC) process which brought more than 11,000 direct federal employees to the State. Since 2011, Maryland has continued to fare better than the nation. While Maryland residents certainly share in Washington, D.C.'s federal job losses, it seems that the greater share of the federal impact to this point has been realized by smaller field offices dispersed throughout the country.

Although the estimated impact of sequestration to the State has been less than originally thought, the impact has been significant. The current estimate for the Maryland job losses from sequester totals 25,000, with losses continuing into calendar year 2015. It is important to note that the above job losses do not directly relate to 25,000 separations; they also include positions that would have been created in the absence of sequester or positions eliminated through attrition. To date, federal agencies have been generally opaque regarding their methods for reaching their reduced budget targets. For example, many have identified reductions to travel expenses, which would generally have little impact to the State, while others have either not filled or eliminated positions; however, the bulk of federal agencies have been silent regarding their cuts. The extent to which the cuts made through the first full year of sequester are not ongoing cuts or current contracts are not renewed, the impact could be greater.

While the general uncertainty regarding federal spending and taxation have plagued the recovery together, the taxation aspect is now somewhat resolved, though to the detriment of Maryland disposable income. As the country rolled towards the fiscal cliff in the fourth quarter of 2012, it seemed that the tax cuts passed between 2001 and 2003 would expire, redirecting more than \$4.0

billion from Maryland residents to the federal government. Congress was able to ward off the full impact, though taxes did increase for 2013, generally for wealthier individuals. While the impact was significantly reduced relative to the fiscal cliff, the more modest changes did shift several hundred million dollars from Maryland residents to the federal government.

Further impacting consumer spending has been poor wage growth and the expiration of the federal payroll tax holiday. Unfortunately, the stubbornly elevated unemployment rate (averaged 6.8% year-to-date through October 2013 versus 3.8% pre-recession average) and policy uncertainty have placed significant downwards pressure on wages. The average wage increased just 2.1% in 2012 and is estimated to grow only 0.9% for 2013; 2012 growth equaled inflation and 2013 will likely come in well below, indicating an erosion of purchasing power.

However, asset prices and their impact on spending have served as a stimulus to the besieged consumer market by generating income and inducing the so called “wealth effect.” The wealth effect occurs as consumers’ asset values rise to levels at which they feel comfortable making additional discretionary purchases. Much of the wealth destroyed in the depths of the recession has been restored – particularly for those with equity investments. Driven by strong corporate earnings and balance sheets as well as the federal bond-buying programs (quantitative easing), the stock market indices have fared very well since their recessionary troughs, even reaching new highs this year. The Standard and Poor’s 500 index is up 135% from March 2009 and the broader Wilshire 5000 Total Market Index is up 156% from February 2009; for the year, the S&P 500 and Wilshire 5000 are up 25% and 28% respectively.

The housing market has continued to improve as well. Through October 2013, as reported by the Maryland Association of Realtors, unit volume and median price are up 14.6% and 5.2%, respectively. A combination of factors including affordability, pent-up demand, and low interest rates are driving the market. For this year, perhaps the most important factor has been historically low interest rates; the average 30 year fixed rate mortgage as reported by the Federal Home Loan Mortgage Corporation (Freddie Mac) reached a historic low of 3.45% in December 2012. Subsequently, rates have increased moderately to 4.19% in October 2013 and remain well below historical norms. The general expectation for interest rates to continue to rise back to more normal levels is inciting much of the current activity and should drive growth for this upcoming spring selling season; the estimated difference between a 4% and 6% interest rate for the average mortgage payment is a \$400 per month increase. While rising interest rates will eventually turn to a headwind for the housing market, pent-up household formation is set to fill the void.

The forecast for Maryland remains relatively unchanged from prior year’s expectations, with employment and personal income growth accelerating until 2015/2016 when the recovery takes a firm hold and more regular growth rates ensue. As the employment situation improves, so will wages, both in the aggregate and at the average wage level. Capital gains and retirement income will provide a boost to taxable income for the State as increased asset prices and demographics are expected to symbiotically generate enhanced income realization.

As noted above, job gains will drive the broader recovery. For 2013, job growth as reported for the Current Employment Statistics Survey by the U.S. Bureau of Labor Statistics (BLS) shows year to date growth (through October) of 1.4%. In the aggregate, Maryland needs 8,200 net new jobs to reach its pre-recession peak level of employment. Health Care & Social Assistance has continued to serve as a steady source of growth and positions while Professional & Technical Services and Federal Government categories have benefitted substantially from the previously mentioned BRAC process. Manufacturing has continued a long-term decline trend and Construction & Mining and Retail remain well below the housing bubble induced employment levels. These numbers are subject to revision. Estimated job growth for 2013 is 0.9% and implies a somewhat significant downwards revision; data from the Quarterly Census of Employment and Wages, essentially a census for the jobs in the State and the most significant later benchmark for the BLS survey, suggests that the BLS survey has been overstating jobs for this year. Employment is expected to improve in 2014 as the level of policy uncertainty is reduced and the national and world economies gather momentum, and further acceleration is expected into 2015 and 2016.

In conclusion, risks abound, particularly those related to the federal government. The federal budget and debt ceiling come back into play in the first quarter of 2014, opening the door for another shutdown or possibly a recession, and federal sequester remains a somewhat open issue (as discussed earlier). Also, there is risk regarding the Federal Reserve’s expected reduction to its current bond-buying program and the impact it will have on the broader economy as well as the financial markets. Direct upside risks include the positive alteration or removal of sequestration as a component of possible entitlement and/or tax reform and a greater economic impact from the Port of Baltimore’s capture of lucrative trade business resulting from the widening of the Panama Canal which is set to conclude in 2015.

Major Initiatives and Long Term Financial Planning:

The fiscal year 2014 budget is expected to resolve all but approximately \$166 million of the \$1 billion structural deficit in the

previous year. The budget includes \$325 million of reductions and prepares the State for the impact of federal sequestration by increasing resources in the Rainy Day Fund and maintaining an unallocated fund balance.

The 2014 budget prioritizes job creation by investing in public education, affordable college, innovative businesses and infrastructure. Through the capital budget, the State is investing to rebuild schools, transportation network, and community infrastructure while supporting and leveraging 43,000 jobs. The 2014 budget includes \$25 million for Rental Housing Works to leverage \$180 million in private sector funding. To leverage assets in the bio/life sciences and other emerging sectors, the budget includes \$10 million in Biotechnology Tax Credits to encourage early stage investment in qualified businesses; \$10 million for Stem Cell Research; and \$13 million for assistance in bringing new technologies to market, supporting biotechnology commercialization, and supporting the cyber sector. Invest Maryland, which invests in early stage technologies, is expected to provide \$28 million in fiscal year 2014.

To assist small business development in fiscal year 2014, \$9 million from video lottery revenues will be used to provide small business capital and loans and \$23 million will be spent from economic development financing programs to create or retain 2,000 jobs. Overall, the 2014 budget includes \$64 million for workforce development programs such as adult education and the Work Opportunities Program, which assists recipients of public assistance, and \$74 million for unemployment assistance.

Public schools will receive funding of \$6.0 billion in fiscal year 2014, an increase of \$206 million from the previous year. School construction spending will total \$336 million. Higher education funding will be \$5.8 billion, an increase of \$170 million from fiscal year 2013. Funding for public colleges and universities will result in a 3% tuition increase in 2014.

The fiscal year 2014 budget includes funds to provide access to health care for over one million Marylanders and to provide \$32 million for the Chesapeake Bay 2010 Trust Fund. It also contains \$22 million to complete the final section of the Inter-County Connector transportation project.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Maryland has received a Certificate of Achievement for the last 33 consecutive years (Fiscal Years ended 1980 – 2012). We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

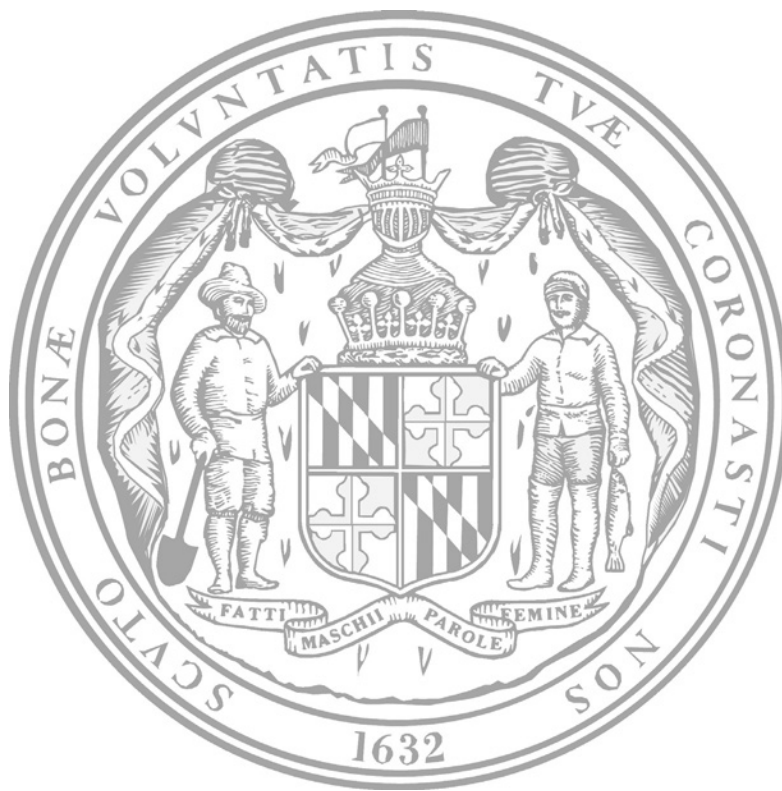
The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the General Accounting Division with assistance from other personnel from the various departments and agencies of the State.

I will be pleased to furnish additional information on the State's finances upon request.

Sincerely,



Peter Franchot,
Comptroller of Maryland





FINANCIAL

Section





REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Peter Franchot
Comptroller of Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maryland (the State), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The State's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain Economic Development Loan Programs; the Maryland Lottery and Gaming Control Agency; the Maryland Transportation Authority; the Economic Development Insurance Programs; certain foundations included in the higher education component units; the Maryland Food Center Authority; the Maryland Technology Development Corporation; and the Investment Trust Fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the State, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements that we did not audit which are listed above represent the percentages of the total assets, total net position, and total revenues of the accompanying financial statements as listed below.

	Percentage of Opinion Unit		
	Total Assets	Total Net Position	Total Operating Revenues
Business-Type Activities			
Major -			
Certain Economic Development Loan Programs	24.0 %	6.5 %	3.0 %
Maryland Lottery and Gaming Control Agency	2.1	0.1	56.9
Maryland Transportation Authority	49.0	45.5	14.4
Non-Major -			
Economic Development Insurance Programs	0.7	1.1	0.1
Total percentage of business-type activities	75.8 %	53.2 %	74.4 %
Component Units			
Major -			
Certain foundations included in the higher education component units	12.7 %	14.5 %	11.6 %
Non-Major -			
Maryland Food Center Authority	0.2	0.3	0.4
Maryland Technology Development Corporation	0.2	0.1	1.8
Total percentage of component units	13.1 %	14.9 %	13.8 %
Fiduciary Funds			
Investment Trust Fund	5.4 %	6.1 %	45.3 %

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business- type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; required supplemental schedules of funding progress and employer contributions for the Maryland Pension and Retirement System, the Maryland Transit Administration Pension Plan, Maryland Transit Administration Retiree Healthcare Benefit, and Other Post-employment Benefits Plan; and the respective budgetary comparison for the budgetary general, special and Federal funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements, schedules, introductory and statistical sections, and financial schedules required by law, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, schedules, introductory and statistical sections, and financial schedules required by law is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining financial statement and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion and based on the reports of the other auditors, the information combining financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections of this report and the financial schedules required by law have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

SB & Company, LLC

Hunt Valley, Maryland
December 13, 2013

STATE OF MARYLAND

Management's Discussion and Analysis

Management of the State of Maryland provides this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2013. Please read it in conjunction with the Comptroller's letter of transmittal, which can be found in the Introductory Section of this report, and the State's financial statements which follow this section.

Financial Highlights

Government-wide

- Maryland reported net position of \$10.3 billion in fiscal year 2013 and \$10.4 billion in fiscal year 2012.
- Of the net position in fiscal year 2013, a deficit balance of \$8.8 billion was reported as total unrestricted net position, which includes a \$10.9 billion deficit balance in governmental activities and a \$2.1 billion balance in business-type activities.
- The State's total net position decreased by \$60 million as a result of this year's operations. The net position for governmental activities decreased by \$447 million (11.3%). Net position of business-type activities increased by \$387 million (6.1%).
- The State's governmental activities had total expenses of \$31.1 billion, total revenues of \$29.9 billion and net transfers from business-type activities of \$779 million for a net decrease of \$447 million.
- Business-type activities had total expenditures of \$3.7 billion; program revenues of \$4.9 million; general revenues of \$1 million; and transfers out of \$779 million for a net increase in net position of \$387 million.
- Total State revenues were \$34.8 billion, while total costs for all programs were \$34.8 billion.

Fund Level

- Governmental funds reported a combined fund balance of \$2.1 billion, an increase of \$488 million (30.4%) from the prior year.
- The General Fund reported an unassigned fund balance deficit of \$623 million and a remaining fund balance (nonspendable, restricted, and committed) of \$2.0 billion, compared to an unassigned fund balance deficit of \$681 million and a remaining fund balance of \$1.8 billion last year. This represents a net increase of \$282 million in General Fund, fund balance. The total unassigned fund balance deficit in the governmental funds was \$977 million, compared to a deficit of \$1.1 billion in the prior year.
- Governmental funds reported a total nonspendable, restricted, and committed fund balance of \$3.1 billion in 2013, compared to \$2.7 billion in the prior year.

Long-term Debt

- Total bonds and obligations under long-term leases at year end was \$16.8 billion, a net increase of \$326 million in 2013 (2.0%) over the prior year.
- \$1.4 billion General Obligation Bonds of which \$349 million were refunding bonds, and \$165 million Transportation Bonds were issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State of Maryland's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's economic condition at the end of the fiscal year. The statements include all fiscal year revenues and expenses, regardless of whether cash has been received or paid. The government-wide financial statements include the following two statements.

The *Statement of Net Position* presents all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as "net position". Over time, increases and decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The above financial statements distinguish between the following three types of state programs or activities:

Governmental Activities – The activities in this section are typically supported by taxes and intergovernmental revenues, i.e., federal grants. Most services normally associated with the State government fall into this category, including the Legislature, Judiciary and the general operations of the Executive Department.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include insurance and loan programs for economic development, the Unemployment Insurance Program, the Maryland Lottery and Gaming Control Agency (MLGCA), the Maryland Transportation Authority and the Maryland Correctional Enterprises, a program which constructs office furnishings utilizing the prisons' inmate population.

Discretely Presented Component Units – The government-wide statements include operations for which the State has financial accountability, but are legally separate entities. Financial information for these component units is reported separately from the financial information presented for the primary government. The component unit activities include Higher Education, the College Savings Plans of Maryland, Maryland Stadium Authority and other non-major proprietary activities. All of these entities operate similarly to private sector business and to the business-type activities described above. The component unit Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College and Baltimore City Community College and certain affiliated foundations. The non-major component units include the Maryland Food Center Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority and Maryland Technology Development Corporation.

Complete financial statements of the individual component units can be obtained from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

This report includes two schedules (pages 29 and 31) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain tax revenues that are earned and other assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but are recognized on the government-wide statements.
- Deferred bond issuance costs are capitalized and amortized on the government-wide statements, but reported as expenditures in governmental funds.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and bonds and notes payable, only appear as liabilities in the government-wide statements.
- Capital outlays result in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other transactions represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The government-wide financial statements can be found on pages 24 - 27 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds can be divided into three categories: governmental, enterprise, and fiduciary. Each of these categories uses a different accounting approach.

Governmental funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the pages immediately following the governmental funds financial statements.

The State maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Department of Transportation-special revenue fund, both of which are considered to be major funds. Data from the remaining three governmental funds are combined into a single, aggregated presentation. Data for the non-major governmental funds, namely, the debt service fund for general obligation bonds, the debt service fund for transportation revenue bonds and the capital projects fund, are provided in the form of combining statements elsewhere in this report. These funds are reported using modified accrual accounting, which measures cash and all other assets which can be readily converted to cash. The basic governmental funds financial statements can be found on pages 28 and 30 of this report.

Enterprise funds – Enterprise funds are used to show activities that operate similar to activities of commercial enterprises. These funds charge fees for services provided to outside customers including local governments. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide financial statements for business-type activities and the enterprise fund financial statements because they both utilize accrual accounting, the same method used for business in the private sector.

The State has six enterprise funds, four of which are considered to be major enterprise funds. These funds are: Economic Development – Loan Programs, the Unemployment Insurance Program, the Maryland Lottery and Gaming Control Agency and the Maryland Transportation Authority. Data for the non-major enterprise funds, Economic Development – Insurance Programs and Maryland Correctional Enterprises, are combined into a single aggregated presentation. Individual fund data for these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic enterprise funds financial statements can be found on pages 34 – 38 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are restricted in purpose and are not available to support the State's own programs. Fiduciary funds use accrual accounting.

The State's fiduciary funds include the Pension and Other Employee Benefits Trust Funds (Pension Trust), the Investment Trust Fund, the Postretirement Health Benefits Trust Fund (OPEB Trust) and Agency Funds. The Pension and Other Employee Benefits Trust Funds consist of the Retirement and Pension System, the Maryland Transit Administration Pension Plan and the Deferred Compensation Plan. The Postretirement Health Benefits Trust Fund accumulates funds to assist with the costs of the State's postretirement health insurance subsidy. The Investment Trust Fund accounts for the transactions, assets, liabilities and net position of an external investment pool. Agency funds account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals. Individual fund detail for the fiduciary funds can be found in the combining financial statements.

The basic fiduciary funds financial statements can be found on pages 39 – 40 of this report.

Combining Financial Statements, Component Units – The government-wide financial statements present information for the component units in a single aggregated column in the Statement of Net Position and the Statement of Activities. Combining Statement of Net Position and Combining Statement of Activities have been provided for the Component Unit Proprietary Funds and provide detail for each major proprietary component unit, with a combining column for the non-major component units. Individual financial statement information for the non-major component units is provided elsewhere in this report.

The combining financial statements for the component units can be found on pages 42 – 44 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 46 – 104 of this report.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the budgetary general, special revenue and federal funds, along with a reconciliation of the statutory and Accounting Principles Generally Accepted in the United States of America (GAAP) General and Special Revenue Fund, fund balances at fiscal year end. This report also presents certain required supplementary information concerning the State's

progress in funding obligations to provide pension benefits and other post-employment benefits and includes a footnote concerning budgeting and budgetary control. Required supplementary information immediately follows the notes to the financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements referred to earlier in connection with non-major governmental, enterprise, and fiduciary funds and non-major component units are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

The State's combined net position (governmental and business-type activities) totaled \$10.3 billion at the end of 2013 and \$10.4 billion at the end of 2012.

Net Position as of June 30, **(Expressed in Millions)**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 6,090	\$ 5,871	\$ 8,474	\$ 8,454	\$ 14,564	\$ 14,325
Capital assets	20,128	19,496	5,258	5,039	25,386	24,535
Total assets	26,218	25,367	13,732	13,493	39,950	38,860
Total deferred outflows of resources			27		27	
Long-term liabilities	17,996	16,584	6,012	6,280	24,008	22,864
Other liabilities	4,639	4,806	968	824	5,607	5,630
Total liabilities	22,635	21,390	6,980	7,104	29,615	28,494
Total deferred inflows of resources	53		3		56	
Net position:.....						
Net invested in capital assets	14,204	13,771	2,396	2,314	16,600	16,085
Restricted	241	229	2,267	2,220	2,508	2,449
Unrestricted	(10,915)	(10,023)	2,113	1,855	(8,802)	(8,168)
Total net position	\$ 3,530	\$ 3,977	\$ 6,776	\$ 6,389	\$ 10,306	\$ 10,366

The largest portion of the State's net position, \$16.6 billion, reflects investment in capital assets such as land, buildings, equipment and infrastructure, less any related debt to acquire those assets that is still outstanding, as adjusted by any deferred inflows or outflows of resources. The State uses these capital assets to provide services to citizens. Consequentially, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the State's net position, \$2.5 billion, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net position, a deficit of \$8.8 billion, reflects the State's expenses over revenues.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

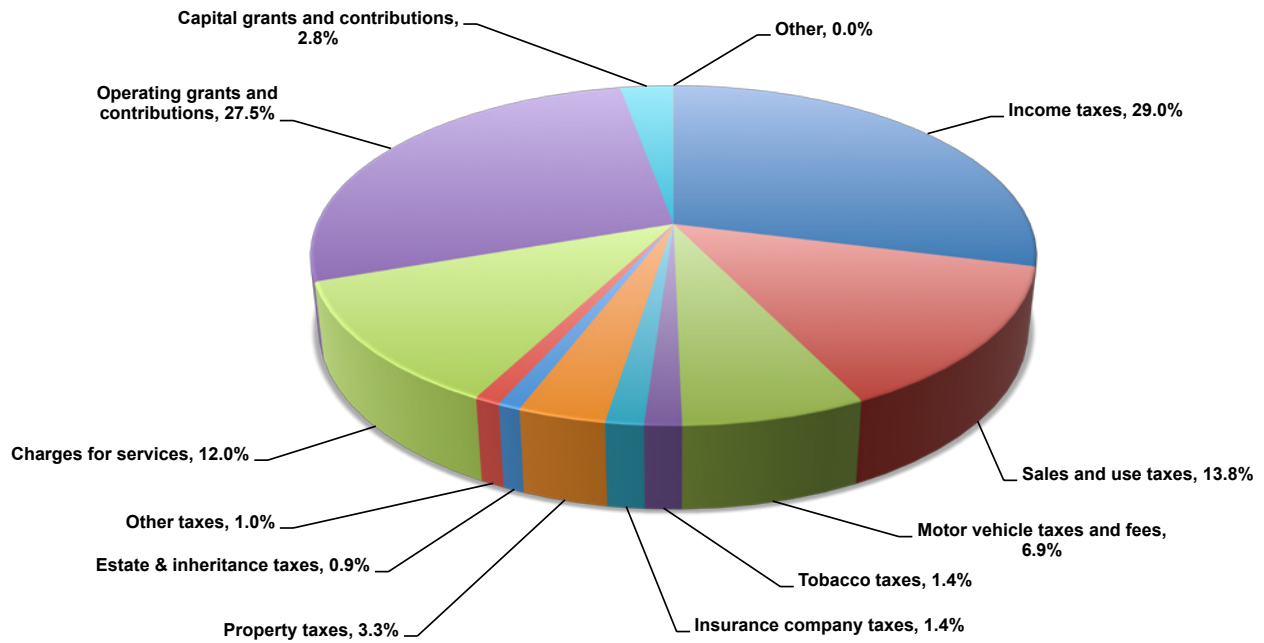
Changes in Net Position

For the Year Ended June 30,

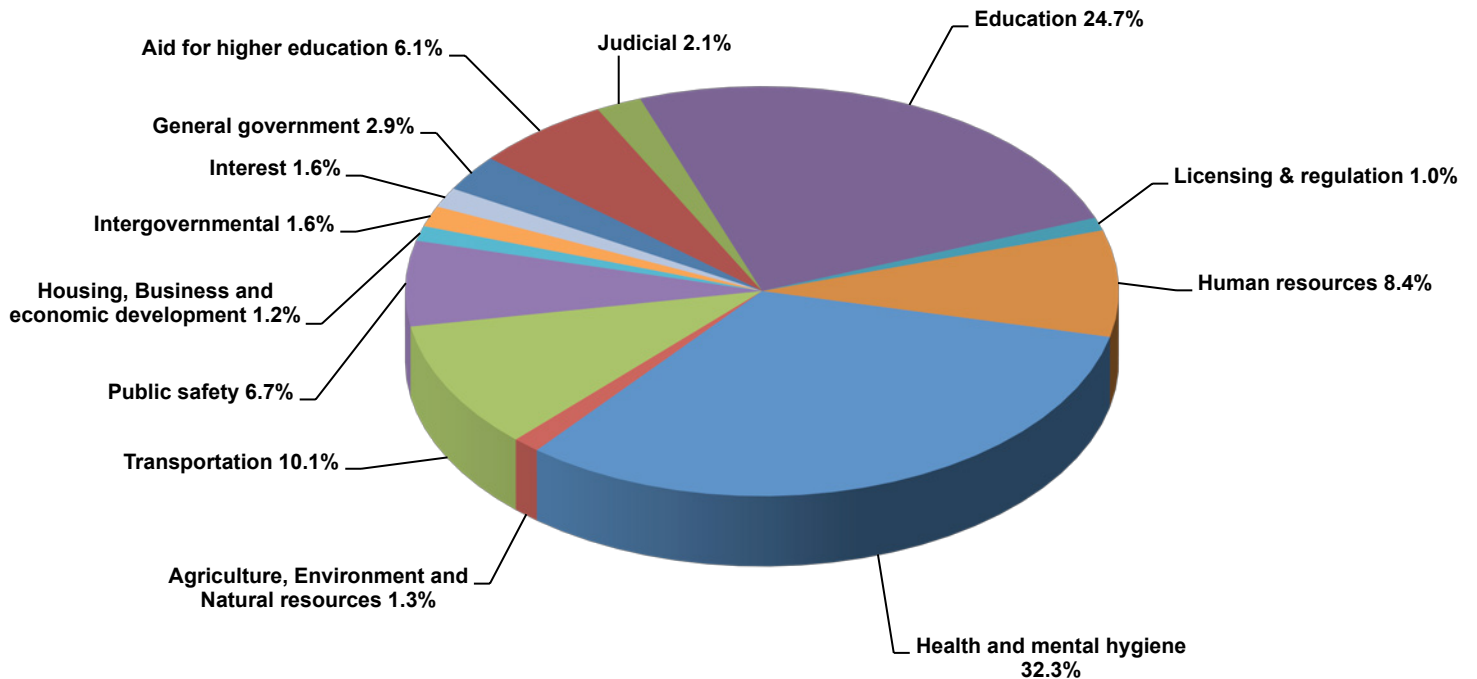
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 3,577	\$ 3,272	\$ 4,298	\$ 3,999	\$ 7,875	\$ 7,271
Operating grants and contributions	8,234	8,200	592	917	8,826	9,117
Capital grants and contributions	845	884		1	845	885
General revenues:						
Income taxes	8,657	7,868			8,657	7,868
Sales and use taxes	4,116	4,078			4,116	4,078
Motor vehicle taxes	2,073	1,988			2,073	1,988
Tobacco taxes	416	411			416	411
Insurance company taxes	429	429			429	429
Property taxes	990	995			990	995
Estate & inheritance taxes	259	221			259	221
InvestMD tax credits				84		84
Other taxes	293	296			293	296
Unrestricted investment earnings	(5)	156	1	10	(4)	166
Total revenues	29,884	28,798	4,891	5,011	34,775	33,809
Expenses:						
General government	895	871			895	871
Health and mental hygiene	10,037	9,870			10,037	9,870
Education	7,695	7,791			7,695	7,791
Aid for higher education	1,918	1,898			1,918	1,898
Human resources	2,612	2,551			2,612	2,551
Public safety	2,096	2,078			2,096	2,078
Transportation	3,146	3,156			3,146	3,156
Judicial	642	649			642	649
Labor, licensing and regulation	320	280			320	280
Natural resources and recreation	186	208			186	208
Housing and community development	296	347			296	347
Environment	105	108			105	108
Agriculture	97	47			97	47
Business and economic development	71	78			71	78
Intergovernmental grants	508	615			508	615
Interest	486	499			486	499
Economic development insurance programs			13	5	13	5
Economic development loan programs			437	366	437	366
Unemployment insurance program			1,247	1,585	1,247	1,585
Maryland Lottery and Gaming Control Agency			1,525	1,332	1,525	1,332
Maryland Transportation Authority			452	413	452	413
Maryland Correctional Enterprises			51	51	51	51
Total expenses	31,110	31,046	3,725	3,752	34,835	34,798
Increase (decrease) in net position						
before transfers	(1,226)	(2,248)	1,166	1,259	(60)	(989)
Transfers	779	593	(779)	(593)		
Change in net position	(447)	(1,655)	387	666	(60)	(989)
Net position - beginning	3,977	5,632	6,389	5,723	10,366	11,355
Net position - ending	\$ 3,530	\$ 3,977	\$ 6,776	\$ 6,389	\$ 10,306	\$ 10,366

2013 Revenues By Source - Governmental Activities



2013 Expenses By Function - Governmental Activities



Governmental Activities

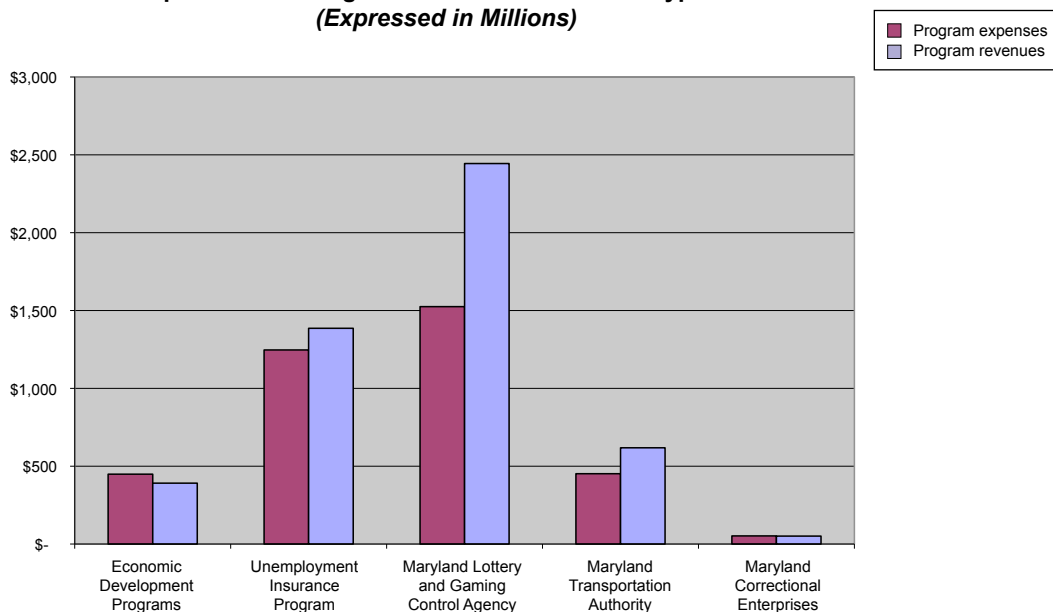
- Comparing current year activities to the prior year discloses that revenues increased by \$1.1 billion or 3.8%, while expenses increased by \$64 million or .2%. The revenue increases of \$789 million (10.0%) in the income tax and \$305 million (9.3%) in charges for services largely accounted for the increase in revenues.
- Increases in health care programs of \$167 million (1.7%) were largely offset by decreases in intergovernmental grant and revenue sharing payments of \$107 million (17.4%) and education of \$96 million (1.2%). The increase in health care program expenses results from growth in payments to Medicaid providers.

Business-type Activities

Business-type activities increased the State's net position by \$1.2 billion before transfer of \$779 million to governmental activities, for a net increase of \$387 million in net position. The increase compares to an increase of \$1.3 billion before transfers of \$593 million in the prior year. Key elements of this increase are as follows:

- Net position of the Maryland Transportation Authority increased by \$167 million compared to an increase of \$173 million in the prior year. Net operating income was \$271 million compared to \$223 million in the prior year. Transfers in from the State decreased by \$46 million for construction funding for the Inter-county Connector.
- The Unemployment Insurance Program net position increased by \$139 million in 2013. Net position increased by \$327 million in 2012. Operating activities resulted in a deficit of \$347 million compared to the prior year's operating deficit of \$449 million. Charges for services (unemployment taxes) decreased by \$237 million (20.9%) and benefit payments were reduced by \$339 million (21.4%). Both the amount of taxes paid by Maryland employers and the amount of benefits received by the unemployed are products of the economic climate. Federal payments for extended benefits and other programs decreased by \$296 million (38.9%).

2013 Expenses and Program Revenues - Business-type Activities
(Expressed in Millions)



- Net position for the Economic Development Loan Programs increased by \$97 million compared to an increase of \$155 million in the prior year. The previous year's increase was primarily due to the sale of \$84 million of premium tax credits to insurance companies with operations in Maryland to provide start-up capital for Maryland businesses. Also, last year \$90 million in Maryland Water Quality Administration funds not needed to pay for current debt service obligations were transferred to the general fund and none were transferred this year, whereas transfers in of general obligation bond proceeds to fund capital project expenditures remained stable between years.
- Lottery tickets sales were \$1.8 billion in both the current and prior year. During 2013, MLGCA oversaw the operation of three casinos with a full year of operations and the opening of a fourth casino compared to two casinos with a full year of operation and the opening of a third in 2012. As a result, gross video lottery terminal and table game revenue was \$611 million in 2013, an increase of \$415 million (210.5%) over the prior year. Operating expenses increased by \$194 million (14.6%) in 2013. The increase in operating expenses is attributed to an increase in costs incurred to regulate the casinos. Transfers to governmental activities by MLGCA were \$922 million in 2013, an increase of \$237 million (34.5%) over 2012.

Financial Analysis of the State's Funds

As of the end of the current fiscal year, the State's governmental funds reported a combined fund balance of \$2.1 billion, an increase of \$488 million from the prior year. The combined fund balance includes a deficit of \$977 million in unassigned for governmental funds, including a deficit of \$623 million for the general fund and a deficit of \$354 million for the other governmental funds. The remainder of the fund balance is nonspendable, restricted, or committed based on the constraints on the specific purposes for which amounts in that fund can be spent. The remainder of the fund balance is 1) unspendable because it is in the form of prepaid items, inventories and long-term loans and notes receivable (\$677 million); 2) restricted by outside parties or to pay debt service on general obligation bonds and transportation bonds from specific taxes (\$241 million); or 3) committed to legislated purposes or to liquidate contracts and purchase orders of the prior period (\$2.2 billion). Included in committed fund balance is \$720 million in the "State Reserve Fund" which is set aside to meet future financial needs. By law, the Governor must appropriate to the State Reserve Fund, the general fund surplus of the second preceding fiscal year that exceeds \$10,000,000. The unassigned general fund deficit plus the amount in the State Reserve Fund, is approximately .3% of the total annual expenditures in governmental funds, compared with .0% for the prior year.

General Fund

The general fund is the major operating fund of the State. At the end of the current fiscal year, the unassigned fund balance deficit of the general fund was \$623 million, while total fund balance was \$1.4 billion. The fund balance of the State's general fund increased by \$282 million during 2013, compared to a decrease of \$263 million for 2012. Revenues increased by \$856 million (3.5%) to \$25.4 billion while expenditures increased by \$377 million (1.5%) to \$26.0 billion.

The increase in revenues of \$856 million from the prior year was primarily due to an increase in income taxes, \$830 million (10.6%) and charges for services, \$122 million (7.5%), partially offset by a decrease in interest and other investment income, \$175 million (209.5%). As of June 30, 2013, due to the severe spike in interest rates in June, 2013, the State recognized an unrealized loss when reporting its investments on a marked to market basis in accordance with generally accepted accounting principles. Subsequent to June 30, 2013, the interest rate market stabilized and the marked to market loss was reversed. At fiscal year end, the State had not sold the securities and therefore no loss was realized.

General fund expenditures increased by \$377 million. Expenditures for health and mental hygiene increased by \$177 million (1.8%) primarily for growth in Medicaid provider payments. Aid to higher education increased by \$77 million (4.8%).

Transfers in to the general fund were \$1.0 billion this year compared to \$1.1 billion for the prior year. Decreases in transfers in to the general fund from the Maryland Department of Transportation, special revenue fund, \$225 million, and

the Economic Development Loan Programs, \$88 million, were partially offset by an increase from MLGCA, \$237 million. Transfers out from the general fund were \$160 million this year compared to \$302 million for the prior year. This decrease was due primarily to a decrease of \$102 million to the Maryland Department of Transportation – special revenue fund for a change in the allocation of corporate income tax revenue to the Department from 17.2% to 9.5%.

Special Revenue Fund

The Maryland Department of Transportation special revenue fund accounts for resources used for operation of the State's transportation activities, not including debt service and pension activities. The fund balance of the Department's special revenue fund was \$304 million as of June 30, 2013, an increase of \$77 million (33.7%) from the prior fiscal year. Revenues increased by \$234 million (6.9%), expenditures increased by \$254 million (7.6%), and other sources of financial resources increased by \$201 million. The increase in revenues was primarily from an increase in motor vehicle taxes and fees and charges for services, the increase in expenditures was primarily from an increase in capital outlays and the increase in other sources of financial resources was substantially due to bond issues made during the year and a reduction in net transfers to other funds.

Budgetary Highlights

Differences between the original budget and final amended budget, and the final budget and actual expenditures for the year are summarized as follows. The budgetary schedule may be found in the Required Supplementary Information Section.

General Fund

Overall, the change between the original and final amended general fund budget was an increase of \$103 million or .7%. The variance in Human Resources, \$69 million, was due to budget adjustments for increased Temporary Cash Assistance enrollment due to a decrease in the Temporary Assistance for Needy Families (TANF) federal award, \$50 million, and funding to supplement Child Welfare Services due to unattainable Title IV-E funds, \$19 million. The variance in Budget and Management, \$20 million, was for State worker's compensation and other insurance claims and to purchase radios for the Public Safety Communications System. The State Reserve Fund's variance of \$10 million was funding provided for critical programs impacted by federal sequestration.

The difference between the final budget, \$14.8 billion, and actual expenditures, \$14.6 billion, for the general fund was \$120 million, or .8%. Of this amount, \$34 million was returned to the general fund, and \$86 million was encumbered for future spending. The variance within the Department of Legislative Services was primarily due to encumbrances for capital items for legislative buildings. The variance within Executive and Administrative Control was due to encumbrances for services within the Maryland Health Benefit Exchange and cancelled appropriations for an IT system and voting support and maintenance. The variance for Business and Economic Development was primarily attributable to encumbered funds for business financing programs, tourism related projects, and the Maryland Stem Cell Research Program.

Special Revenue Fund

Overall, the change between the original and final special revenue fund budget was an increase of \$241 million or 2.9%. The increase was primarily to recognize pension administrative fees from local governments; for the Cover Crop and other farmland programs; and to provide mortgage foreclosure grants, counseling and legal assistance. The difference between the final budget, \$8.4 billion, and actual expenditures, \$7.1 billion, was \$1.3 billion or 15.2%. The variance was primarily due to reduced appropriations for MLGCA payments to casino operators who receive the revenue directly and transportation capital projects and debt service, and encumbrances for loan programs for water quality systems and drinking water systems and contracts for landfill projects.

Capital Assets and Debt Administration

Capital assets

At June 30, 2013, the State had invested \$25.4 billion (net of accumulated depreciation) in a broad range of capital assets (see table below). Depreciation expense for the fiscal year totaled \$1.3 billion (\$1.2 billion for governmental

activities and \$131 million for business-type activities). The increase in the State's investment in capital assets, net of depreciation expense, for the current fiscal year was \$851 million (an increase of \$632 million for governmental activities and an increase of \$219 million for business-type activities).

Capital Assets as of June 30,
(Net of Depreciation, Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and improvements	\$ 3,273	\$ 3,224	\$ 387	\$ 384	\$ 3,660	\$ 3,608
Art and historical treasures	9	9			9	9
Structures and improvements	3,675	3,654	41	37	3,716	3,691
Equipment	891	820	54	78	945	898
Infrastructure	9,359	9,231	3,558	3,532	12,917	12,763
Construction in progress	2,921	2,558	1,217	1,007	4,138	3,565
Total	\$ 20,128	\$ 19,496	\$ 5,257	\$ 5,038	\$ 25,385	\$ 24,534

Major capital asset events during the current fiscal year for governmental activities include continued widening and/or expansion of existing highways and bridges, and various transit, port and motor vehicle administration construction projects; the preservation of agricultural and open space land through the purchase of easements; improvements to the statewide telecommunications network including One Maryland broadband wiring and high speed data network wiring; energy efficiency improvements in State buildings; veterans cemetery building improvements; installation of Statewide public safety radio and software development for Statewide personnel system; acquisition of rescue boats and helicopters for State police departments; and building improvements at correctional facilities. Elements of the increases in capital assets of business-type activities include the Inter-County Connector and electronic toll lane projects, which resulted in an increase in infrastructure, and the restoration of existing facilities.

Additional information on the State's capital assets can be found in footnote 10 of this report.

Long-term debt

The State is empowered by law to authorize, issue and sell general obligation bonds, which are backed by the full faith and credit of the State. The State also issues dedicated revenue bonds for the Department of Transportation and various business-type activities. The payment of principal and interest on revenue bonds comes solely from revenues received from the respective activities. This dedicated revenue debt is not backed by the State's full faith and credit.

At June 30, 2013, the State had outstanding bonds totaling \$15.8 billion. Of this amount, \$8.0 billion were general obligation bonds, backed by the full faith and credit of the State. The remaining \$7.8 billion were secured solely by the specified revenue sources.

Outstanding Bond Debt as of June 30,
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds (backed by the State)	\$ 8,006	\$ 7,541			\$ 8,006	\$ 7,541
Transportation Bonds (backed by specific revenues)	1,618	1,563			1,618	1,563
Revenue bonds (backed by specific revenues)			\$ 6,221	\$ 6,377	6,221	6,377
Total	\$ 9,624	\$ 9,104	\$ 6,221	\$ 6,377	\$ 15,845	\$ 15,481

The total increase in bonded debt in the current fiscal year was \$364 million (\$465 million increase related to general obligation bonds, \$55 million increase related to transportation bonds, and \$156 million decrease related to revenue bonds). The State's general obligation bonds are rated by Aaa by Moody's and AAA by Standard and Poors and Fitch. During fiscal year 2013, the State issued general obligation debt totaling \$1.4 billion at a premium of \$232 million. Of this amount, \$349 million and related premium of \$75 million was for refunding bonds. On August 6, 2013 (fiscal year 2014), the State issued general obligation bonds aggregating \$475 million for capital improvements.

State law limits the amount of Consolidated Transportation Bonds, dedicated revenue debt that may be outstanding as of June 30 to the amount authorized in the budget, and this amount may not exceed \$2.6 billion. The aggregate principal amount of these bonds that was authorized to be outstanding as of June 30, 2013, was \$1.9 billion. The actual amount in Consolidated Transportation Bonds outstanding was \$1.6 billion.

Additional information on the State's long-term debt can be found in footnote 11 of this report.

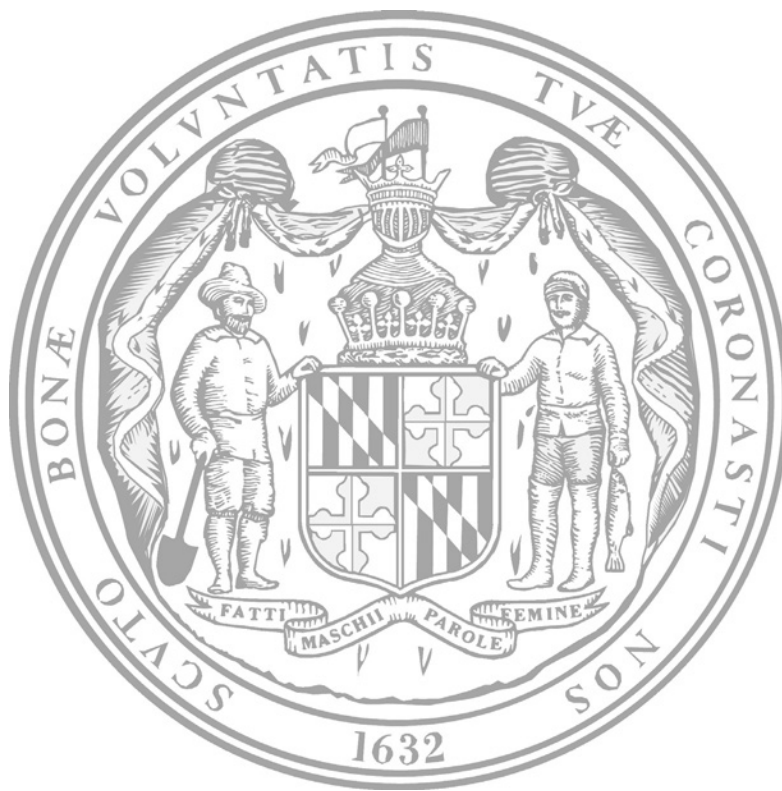
Economic Factors and Next Year's Budget

Certain key economic factors are reflected in the development of the State's fiscal year 2014 budget. Full federal sequestration took effect on March 1, 2013. While the full impact on Maryland remains unknown, some job and wage losses have been forecast for the next several years. Overall employment growth, however, is estimated to be 1.2% for calendar year 2013. The possibility of a federal government shutdown and looming debt ceiling negotiations could have direct consequences for Maryland.

The above factors are among those contributing to budget growth of 3.3% in fiscal year 2014, to \$36.9 billion. The budget reflects certain spending reductions, including Medicaid savings from implementation of the Affordable Care Act and slower enrollment growth (\$73 million); capping rate increases for most health/human service providers (\$63 million); and slower growth in employee health insurance costs (\$32 million). The budget also assigns a portion of the transfer tax to the general fund for the next five years in the amount of \$75 to \$89 million annually. Capital projects normally supported with these dollars will be financed with bonds in subsequent years. The budget allows for a 3% State employee cost of living increase and increments to all eligible employees.

Requests for Information

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Accounting Division, Office of the Comptroller, P.O. Box 746, Annapolis, Maryland, 21404.





Basic
FINANCIAL
Statements



STATE OF MARYLAND
Statement of Net Position
June 30, 2013
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash.....	\$ 134,281	\$ 77,510	\$ 211,791	\$ 156,959
Equity in pooled invested cash	1,334,822	648,773	1,983,595	1,949,043
Investments	294,735	620,018	914,753	780,484
Endowment investments				197,670
Foundation investments				1,054,525
Inventories	121,220	15,651	136,871	11,721
Prepaid items	554,702		554,702	8,760
Deferred charges	30,627		30,627	1,583
Taxes receivable, net	1,303,948		1,303,948	
Intergovernmental receivables	1,228,170		1,228,170	
Tuition contracts receivable				242,200
Due from primary government				17,966
Due from component units	1,060		1,060	
Other accounts receivable	598,159	104,493	702,652	428,843
Loans and notes receivable, net	19,280	888,117	907,397	73,386
Investment in direct financing leases		377,533	377,533	186,706
Other assets	17,200	30,533	47,733	18,708
Collateral for lent securities	188,872		188,872	
Restricted assets:				
Cash	54,138	1,771,966	1,826,104	51,736
Equity in pooled invested cash	175,193	87,222	262,415	
Investments	9,241	974,496	983,737	10,596
Deferred charges		15,732	15,732	
Taxes receivable, net	21,846		21,846	
Loans and notes receivable	1,937	2,501,762	2,503,699	
Other accounts receivable	414	360,550	360,964	
Capital assets, net of accumulated depreciation:				
Land	3,273,399	387,239	3,660,638	192,839
Art and historical treasures	9,370		9,370	
Structures and other improvements	3,675,268	40,766	3,716,034	4,504,671
Equipment	891,390	54,435	945,825	425,591
Infrastructure	9,358,321	3,558,253	12,916,574	207,196
Construction in progress	2,920,727	1,217,254	4,137,981	699,345
Total capital assets	20,128,475	5,257,947	25,386,422	6,029,642
Total assets	26,218,320	13,732,303	39,950,623	11,220,528
Deferred outflows of resources:				
Deferred outflow on interest rate swap		27,065	27,065	
Total deferred outflows of resources		27,065	27,065	

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Salaries payable	\$ 218,508		\$ 218,508	\$ 154,866
Vouchers payable	541,262		541,262	
Accounts payable and accrued liabilities	2,283,705	451,233	2,734,938	296,132
Internal balances	(91,640)	91,640		
Due to primary government				1,060
Due to component units	14,250		14,250	
Accounts payable to political subdivisions	167,371		167,371	
Unearned revenue	164,828	26,319	191,147	224,303
Interest rate swaps		27,065	27,065	
Accrued insurance on loan losses		16,666	16,666	2,806
Other liabilities				1,694
Collateral obligations for lent securities	188,872		188,872	
Bonds and notes payable:				
Due within one year	744,599	311,525	1,056,124	120,313
Due in more than one year	9,642,830	5,909,347	15,552,177	1,402,332
Other noncurrent liabilities:				
Due within one year	406,765	43,142	449,907	215,018
Due in more than one year	8,354,000	103,351	8,457,351	907,951
Total liabilities	22,635,350	6,980,288	29,615,638	3,326,475
Deferred inflows of resources:				
Deferred inflow on service concession arrangement	53,209	3,000	56,209	380,711
Total deferred inflows of resources	53,209	3,000	56,209	380,711
Net Position				
Net investment in capital assets	14,203,503	2,396,073	16,599,576	4,317,312
Restricted for:				
Debt service	240,699	118,181	358,880	6,954
Capital improvements		22,666	22,666	9,051
Higher education-nonexpendable				703,535
Higher education-expendable				505,501
Unemployment compensation benefits		1,155,516	1,155,516	
Loan programs		885,482	885,482	73,165
Insurance programs		85,511	85,511	
Other	747		747	
Unrestricted (deficit)	(10,915,188)	2,112,651	(8,802,537)	1,897,824
Total net position	\$ 3,529,761	\$ 6,776,080	\$ 10,305,841	\$ 7,513,342

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Activities
For the Year Ended June 30, 2013
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government		
			Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total
Primary government - Governmental activities:								
General government.....	\$ 894,637	\$ 724,997	\$ 73,438	\$ 56,730	\$ (39,472)	\$ (39,472)	\$ (39,472)	\$ (39,472)
Health and mental hygiene.....	10,038,006	1,368,278	4,565,675		(4,104,053)	(4,104,053)		(4,104,053)
Education.....	7,695,521	64,291	1,001,872		(6,629,358)	(6,629,358)		(6,629,358)
Aid for higher education.....	1,918,549	19,019	2,808		(1,896,722)	(1,896,722)		(1,896,722)
Human resources.....	2,611,879	71,389	1,855,639		(684,851)	(684,851)		(684,851)
Public safety.....	2,095,994	123,735	150,132		(1,814,686)	(1,814,686)		(1,814,686)
Transportation.....	3,146,053	679,378	72,395	7,441	(1,614,723)	(1,614,723)		(1,614,723)
Judicial.....	642,559	349,347	8,740	779,557	(284,472)	(284,472)		(284,472)
Labor, licensing and regulation.....	319,757	37,138	163,753		(118,866)	(118,866)		(118,866)
Natural resources and recreation.....	185,627	44,478	24,553	1,434	(115,162)	(115,162)		(115,162)
Housing and community development.....	295,611	23,056	268,362		(4,193)	(4,193)		(4,193)
Environment.....	104,685	40,361	28,157		(36,167)	(36,167)		(36,167)
Agriculture.....	97,234	19,830	3,707		(73,697)	(73,697)		(73,697)
Business and economic development.....	71,517	11,256	1,683		(58,578)	(58,578)		(58,578)
Intergovernmental grants and revenue sharing.....	507,660				(507,660)	(507,660)		(507,660)
Interest.....	485,565	347	13,001		(472,217)	(472,217)		(472,217)
Total governmental activities.....	31,110,854	3,576,900	8,233,915	845,162	(18,454,877)	(18,454,877)		(18,454,877)
Business-type activities:								
Economic development - insurance programs.....	12,565	4,469	770		\$ (7,326)	(7,326)		(7,326)
Economic development - general loan programs.....	20,344	5,848			(14,496)	(14,496)		(14,496)
Economic development - water quality loan programs.....	209,263	138,818	93,679		23,234	23,234		23,234
Economic development - housing loan programs.....	207,423	137,257	9,910		(60,256)	(60,256)		(60,256)
Unemployment insurance program.....	1,246,507	899,368	486,321		139,182	139,182		139,182
Maryland Lottery and Gaming Control Agency.....	1,525,381	2,444,195			918,814	918,814		918,814
Maryland Transportation Authority.....	451,944	617,334	1,026		166,416	166,416		166,416
Maryland Correctional Enterprises.....	51,464	50,822			(642)	(642)		(642)
Total business-type activities.....	3,724,891	4,298,111	591,706		1,164,926	1,164,926		1,164,926
Total primary government.....	34,835,745	7,875,011	8,825,621	845,162	(18,454,877)	(18,454,877)		(17,289,951)

Component Units:

Higher education.....	\$ 4,776,561 \$	2,261,008 \$	1,475,735 \$	198,401	\$ (841,417)
Maryland Prepaid College Trust.....	81,969	73,663			(8,306)
Maryland Stadium Authority.....	65,861	36,020	20,977		(8,864)
Other component units.....	127,359	104,929	22,538		108
Total component units.....	\$ 5,051,750 \$	2,475,620 \$	1,519,250 \$	198,401	\$ (858,479)

General revenues:

Income taxes.....	8,657,390				8,657,390
Sales and use taxes.....	4,115,724				4,115,724
Motor vehicle taxes.....	2,072,571				2,072,571
Tobacco taxes.....	415,922				415,922
Insurance company taxes.....	429,410				429,410
Property taxes.....	990,061				990,061
Estate & inheritance taxes.....	258,978				258,978
Other taxes.....	293,031				293,031
Grants and contribution not restricted to specific programs.....					1,204,904
Unrestricted investment earnings.....	(4,794)	971	(3,823)		122,352
Additions to permanent endowments.....					4,397
Transfers.....	779,026	(779,026)			
Total general revenues, additions to permanent endowments, and transfers.....	18,007,318	(778,055)	17,229,263		1,331,653
Changes in net position.....	(447,559)	386,871	(60,688)		473,174
Net position, beginning of the year, as restated.....	3,977,320	6,389,209	10,366,529		7,040,168
Net position, end of the year.....	\$ 3,529,761 \$	6,776,080 \$	10,305,841 \$		7,513,342

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Balance Sheet
Governmental Funds
June 30, 2013
(Expressed in Thousands)

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash	\$ 132,763	\$ 1,518		\$ 134,281
Equity in pooled invested cash	1,246,810	85,318	\$ 2,694	1,334,822
Investments	6,914		287,821	294,735
Prepaid items	446,141	90,945		537,086
Taxes receivable, net	1,159,090	144,858		1,303,948
Intergovernmental receivables	878,843	345,562	3,765	1,228,170
Other accounts receivable	548,198	49,924	37	598,159
Due from other funds	93,519	125,362		218,881
Due from component units	1,060			1,060
Inventories	28,810	92,410		121,220
Loans and notes receivable, net	19,280			19,280
Collateral for lent securities	188,872			188,872
Restricted assets:				
Cash		18,959		18,959
Cash with fiscal agent			35,179	35,179
Equity in pooled invested cash			175,193	175,193
Investments	3,117		6,124	9,241
Taxes receivable, net			21,846	21,846
Other accounts receivable			415	415
Loans and notes receivable, net			1,937	1,937
Total assets	\$ 4,753,417	\$ 954,856	\$ 535,011	\$ 6,243,284
Liabilities:				
Salaries payable	\$ 194,020	\$ 24,488		\$ 218,508
Vouchers payable	402,139	80,029	\$ 59,094	541,262
Accounts payable and accrued liabilities	1,256,920	307,881	18,282	1,583,083
Due to other funds	635,076	20,521	21,644	677,241
Due to component units	14,250			14,250
Accounts payable to political subdivisions	112,984	49,030	5,356	167,370
Deferred revenue	473,777	169,173		642,950
Accrued self-insurance costs	116,144			116,144
Collateral obligations for lent securities	188,872			188,872
Total liabilities	3,394,182	651,122	104,376	4,149,680
Fund balances:				
Nonspendable	493,431	183,355		676,786
Restricted	187	561	240,699	241,447
Committed	1,488,477	119,818	543,900	2,152,195
Unassigned	(622,860)		(353,964)	(976,824)
Total fund balances	1,359,235	303,734	430,635	2,093,604
Total liabilities and fund balances	\$ 4,753,417	\$ 954,856	\$ 535,011	\$ 6,243,284

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Governmental Funds' Fund Balance
to the Statement of Net Position, Net Position Balance
June 30, 2013
(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Position (pages 24-25)	
differ from the amounts for the governmental funds' fund balances because of:	
Amount in governmental funds, fund balance (page 28).....	\$ 2,093,604
Capital assets used in governmental activities are not financial resources	
and, therefore, are not reported in the funds.....	20,128,476
Taxes and other receivables that will not be available to pay for current period	
expenditures and, therefore, are deferred in the funds.....	425,524
Accrued interest payable on bonds and capital leases are not liquidated	
with current financial resources in the governmental funds.....	(150,621)
Deferred charges not available to pay for current period expenditures.....	41,235
Other assets not available to pay for current period expenditures.....	23,596
Long-term liabilities are not due and payable in the current period	
and, therefore are not reported in the funds:	
General Obligation Bonds.....	(8,005,803)
Deferred charges to be amortized over the life of the debt.....	191,771
Premiums to be amortized over the life of the debt.....	(845,205)
Transportation Bonds.....	(1,618,290)
Deferred charges to be amortized over the life of the debt.....	8,320
Premiums to be amortized over the life of the debt.....	(118,222)
Accrued self-insurance costs.....	(228,065)
Accrued annual leave.....	(349,027)
Pension liabilities.....	(2,932,469)
Other post-employment benefits liability.....	(4,008,001)
Pollution remediation.....	(173,962)
Obligation under capital leases.....	(766,394)
Obligations under capital leases with component units.....	(186,706)
Net Position of governmental activities (page 25).....	\$ 3,529,761

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds
For the Year Ended June 30, 2013
(Expressed in Thousands)

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Income taxes.....	\$ 8,652,063			\$ 8,652,063
Sales and use taxes.....	4,114,462			4,114,462
Motor vehicle taxes.....		\$ 2,072,571		2,072,571
Tobacco taxes.....	415,922			415,922
Insurance company taxes.....	429,410			429,410
Property taxes.....	242,163		\$ 747,898	990,061
Estate & inheritance taxes.....	258,978			258,978
Other taxes.....	293,031			293,031
Other licenses and fees.....	678,648			678,648
Charges for services.....	1,733,460	669,917		2,403,377
Interest and other investment income.....	(91,919)	758	1,888	(89,273)
Federal revenue.....	8,211,036	868,121	17,563	9,096,720
Other.....	468,415	4,330	2,122	474,867
Total revenues.....	25,405,669	3,615,697	769,471	29,790,837
Expenditures:				
Current:				
General government.....	878,120			878,120
Health and mental hygiene.....	9,949,816			9,949,816
Education.....	7,109,161		278,649	7,387,810
Aid to higher education.....	1,685,969		232,139	1,918,108
Human resources.....	2,557,386			2,557,386
Public safety.....	1,879,264			1,879,264
Transportation.....		1,468,019		1,468,019
Judicial.....	594,522			594,522
Labor, licensing and regulation.....	304,289			304,289
Natural resources and recreation.....	171,206			171,206
Housing and community development.....	293,743			293,743
Environment.....	87,728			87,728
Agriculture.....	80,353			80,353
Business and economic development.....	69,425			69,425
Intergovernmental grants and revenue sharing.....	329,028	648,668	178,632	1,156,328
Capital outlays.....		1,491,361	123,612	1,614,973
Debt service:				
Principal retirement.....			673,639	673,639
Interest.....			414,089	414,089
Bond issuance costs.....	653		5,275	5,928
Total expenditures.....	25,990,663	3,608,048	1,906,034	31,504,745
Excess (Deficiency) of revenues over (under) expenditures.....	(584,994)	7,649	(1,136,563)	(1,713,908)
Other financing sources (uses):				
Capital leases.....	3,184	335,025		338,209
Bonds issued.....		165,000	1,043,230	1,208,230
Refunding bonds issued.....			348,930	348,930
Bond premium.....		15,016	241,138	256,154
Refunding of capital leases.....		(305,898)		(305,898)
Payments to refunded bond escrow agent.....			(423,021)	(423,021)
Transfers in.....	1,023,818	101,576	206,275	1,331,669
Transfers out.....	(159,875)	(241,814)	(150,954)	(552,643)
Total other sources (uses) of financial resources.....	867,127	68,905	1,265,598	2,201,630
Net changes in fund balances.....	282,133	76,554	129,035	487,722
Fund balances, beginning of the year.....	1,077,102	227,180	301,600	1,605,882
Fund balances, end of the year.....	\$ 1,359,235	\$ 303,734	\$ 430,635	\$ 2,093,604

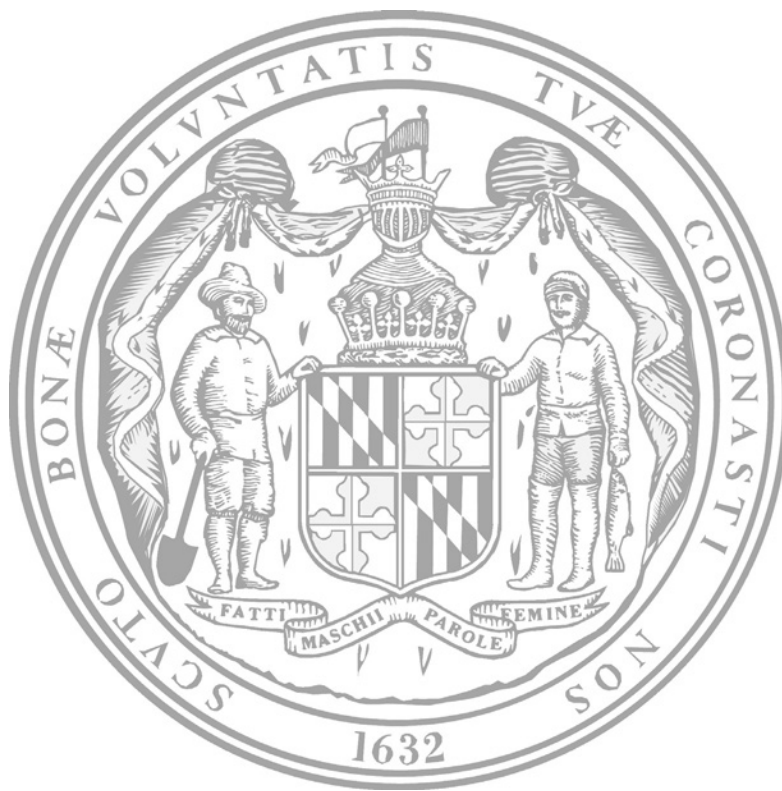
The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Activities (pages 26-27) are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds because of the following:			
Net change in fund balances - total governmental funds (page 30)		\$	487,722
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.			
Capital outlays		\$	1,791,344
Depreciation expense			<u>(1,142,877)</u> 648,467
The net effect of various miscellaneous transactions involving capital position (i.e., sales, trade-ins, and donations) is to decrease net position.			
Net loss on disposals and trade-ins			(56,119)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:			
Deferred revenues for taxes are recognized			
net of revenue already recognized in the prior year			6,589
Deferred revenues for other revenues are recognized,			
net of revenue already recognized in the prior year			(24,286)
Revenues from other assets are recognized,			
net of revenue already recognized in the prior year			<u>(16,943)</u> (34,640)
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long term debt and related items.			
Debt issued, General Obligation Bonds			(1,029,000)
Debt issued, Transportation Bonds			(165,000)
Capital lease financing			(338,209)
Premiums, discounts and issuance costs			(126,922)
Principal repayments:			
General Obligation Bonds			564,299
Transportation Bonds			109,340
Capital leases			<u>348,535</u> (636,957)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:			
Accrued interest			(8,339)
Compensated absences			(10,181)
Self-insurance			(3,985)
Net pension obligation			(520,262)
Other post-employment benefits liability			(307,194)
Pollution remediation liabilities			<u>(6,071)</u> (856,032)
Change in net position of governmental activities (page 27)		\$	(447,559)

The accompanying notes to the financial statements are an integral part of this financial statement.



STATE OF MARYLAND
ENTERPRISE FUND FINANCIAL STATEMENTS

Major Funds

Economic Development Loan Programs

This fund includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.

Unemployment Insurance Program

This fund reflects the transactions, assets, liabilities and net position of the Unemployment Insurance Program and is used to account for the unemployment assessments collected from employers, Federal revenue received and remittance of benefits to the unemployed.

Maryland Lottery and Gaming Control Agency

This fund accounts for the operation of the State Lottery and the regulation of the operation of the Video Lottery Terminal and table game casinos.

Maryland Transportation Authority

This fund accounts for the activity of the Maryland Transportation Authority, which is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Non-major Funds

Other Enterprise Funds

Individual non-major enterprise funds are presented in the combining section following the footnotes.

STATE OF MARYLAND
Statement of Fund Net Position
Enterprise Funds
June 30, 2013
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Assets-						
Current assets:						
Cash			\$ 2,371	\$ 75,139		\$ 77,510
Equity in pooled invested cash.....	\$ 547,907		84,922		\$ 15,944	648,773
Investments.....	2,294			550,228		552,522
Other accounts receivable.....	35,486		44,752	19,467	4,788	104,493
Due from other funds.....	49,364	\$ 2,271		4,437	373	56,445
Inventories.....				5,188	10,463	15,651
Loans and notes receivable, net.....	35,007				156	35,163
Investment in direct financing leases.....				35,634		35,634
Other assets.....			44	1,313	2,918	4,275
Current restricted assets:						
Cash	493,655	1,060	76,940	213,441		785,096
Cash on deposit with U.S. Treasury.....	106	986,764				986,870
Equity in pooled invested cash.....					87,222	87,222
Investments.....	57,354		13,389	82,140		152,883
Loans and notes receivable, net.....	97,433					97,433
Other accounts receivable.....	132,185	228,352				360,537
Total current assets.....	1,450,791	1,218,447	222,418	986,987	121,864	4,000,507
Non-current assets:						
Investments.....	65,591				1,905	67,496
Loans and notes receivable, net.....	852,732				222	852,954
Investment in direct financing leases.....				341,899		341,899
Other assets.....				26,258		26,258
Restricted non-current assets:						
Investments.....	607,243		45,933	168,437		821,613
Deferred charges.....	15,732					15,732
Loans and notes receivable, net.....	2,404,329					2,404,329
Other accounts receivable.....	13					13
Capital assets, net of accumulated depreciation:						
Land				387,239		387,239
Structures and improvements.....				38,413	2,353	40,766
Equipment.....	14		23,826	26,131	4,464	54,435
Infrastructure.....				3,558,225	28	3,558,253
Construction in progress.....				1,217,254		1,217,254
Total non-current assets.....	3,945,654		69,759	5,763,856	8,972	9,788,241
Total assets.....	5,396,445	1,218,447	292,177	6,750,843	130,836	13,788,748
Deferred outflows of resources-						
Deferred outflow on interest rate swaps.....	27,065					27,065
Total deferred outflows of resources.....	27,065					27,065

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Liabilities-						
Current liabilities:						
Accounts payable and accrued liabilities.....	\$ 83,669	\$ 62,931	\$ 126,777	\$ 174,071	\$ 3,785	\$ 451,233
Due to other funds.....	3,308		74,500	70,277		148,085
Accrued insurance on loan losses.....	1,979				14,687	16,666
Other liabilities.....	7,632		28,347	5,872	1,291	43,142
Deferred revenue.....	18		2,363	21,957	1,981	26,319
Revenue bonds payable - current.....	187,235			124,290		311,525
Total current liabilities.....	283,841	62,931	231,987	396,467	21,744	996,970
Non-current liabilities:						
Interest rate swaps.....	27,065					27,065
Other liabilities.....	18,717		55,212	26,773	2,649	103,351
Revenue bonds payable.....	2,668,062			3,241,285		5,909,347
Total non-current liabilities.....	2,713,844		55,212	3,268,058	2,649	6,039,763
Total liabilities.....	2,997,685	62,931	287,199	3,664,525	24,393	7,036,733
Deferred inflows of resources-						
Deferred service concession arrangement receipts..				3,000		3,000
Total deferred inflows of resources.....				3,000		3,000
Net Position-						
Net investment in capital assets.....	15		(7,197)	2,396,410	6,845	2,396,073
Restricted for:						
Debt service.....	8,100			110,081		118,181
Capital improvements.....				22,666		22,666
Unemployment compensation benefits.....		1,155,516				1,155,516
Loan programs.....	885,482					885,482
Insurance programs.....					85,511	85,511
Unrestricted	1,532,228		12,175	554,161	14,087	2,112,651
Total net position.....	\$ 2,425,825	\$ 1,155,516	\$ 4,978	\$ 3,083,318	\$ 106,443	\$ 6,776,080

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Revenues, Expenses, and Changes in Fund Net Position
Enterprise Funds
For the Year Ended June 30, 2013
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Operating revenues:						
Lottery ticket sales.....			\$ 1,756,119			\$ 1,756,119
Charges for services and sales.....	\$ 128,434	\$ 899,368	611,421	\$ 612,930	\$ 54,720	2,306,873
Loan and grant recoveries.....	1,356					1,356
Unrestricted interest on loan income.....	13,614				536	14,150
Restricted interest on loan income.....	126,826					126,826
Other.....	9,405		76,655	4,404	35	90,499
Total operating revenues.....	279,635	899,368	2,444,195	617,334	55,291	4,295,823
Operating expenses:						
Prizes and claims.....			1,038,476			1,038,476
Commissions and bonuses.....			343,719			343,719
Cost of sales and services.....			27,803		41,701	69,504
Operation and maintenance of facilities.....				212,618		212,618
General and administrative.....	46,694		89,259	30,124	12,803	178,880
Benefit payments.....		1,246,507				1,246,507
Capital grant distributions.....	197,667					197,667
Depreciation and amortization.....	5		25,404	103,743	1,480	130,632
Provision for insurance on loan losses.....	47,153				8,018	55,171
Other.....	16,918					16,918
Total operating expenses.....	308,437	1,246,507	1,524,661	346,485	64,002	3,490,092
Operating income (loss).....	(28,802)	(347,139)	919,534	270,849	(8,711)	805,731
Non-operating revenues (expenses):						
Unrestricted interest and other investment income..	4,552		(4,232)	650		970
Restricted interest and other investment income....	10,260	20,955		1,026	770	33,011
Interest expense.....	(122,830)		(720)	(95,166)		(218,716)
Federal grants and distributions.....	93,329	465,366				558,695
Other.....	(3,475)			(10,293)	(27)	(13,795)
Total non-operating revenues (expenses)	(18,164)	486,321	(4,952)	(103,783)	743	360,165
Income (loss) before transfers.....	(46,966)	139,182	914,582	167,066	(7,968)	1,165,896
Transfers in.....	150,917					150,917
Transfers out.....	(6,611)		(921,762)		(1,569)	(929,942)
Change in net position.....	97,340	139,182	(7,180)	167,066	(9,537)	386,871
Total net position - beginning.....	2,328,485	1,016,334	12,158	2,916,252	115,980	6,389,209
Total net position - ending	\$ 2,425,825	\$ 1,155,516	\$ 4,978	\$ 3,083,318	\$ 106,443	\$ 6,776,080

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2013
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Cash flows from operating activities:						
Receipts from customers.....	\$ 498,397	\$ 943,566	\$ 2,489,218	\$ 613,131	\$ 55,484	\$ 4,599,796
Payments to suppliers.....	(2,894)		(96,023)	(91,771)	(34,092)	(224,780)
Payments to employees.....	(12,484)		(20,928)	(129,320)	(21,035)	(183,767)
Program loan disbursements.....	(271,161)					(271,161)
Other receipts.....	121,464			111,336	16,491	249,291
Other payments.....	(255,690)	(1,247,967)	(341,243)	(137,178)	(16,080)	(1,998,158)
Lottery prize payments.....			(1,039,420)			(1,039,420)
Net cash from operating activities.....	77,632	(304,401)	991,604	366,198	768	1,131,801
Cash flows from non-capital financing activities:						
Proceeds from the sale of revenue bonds.....	149,621			135,470		285,091
Payment on revenue bonds.....	(320,630)			(25,520)		(346,150)
Interest payments.....	(130,041)					(130,041)
Proceeds from InvestMD tax credits.....	28,000					28,000
Transfers in.....	143,786					143,786
Transfers out.....	(6,611)		(918,658)		(1,569)	(926,838)
Grants.....	94,552	465,367				559,919
Lottery installment payments.....			(17,063)			(17,063)
Net cash from non-capital financing activities:	(41,323)	465,367	(935,721)	109,950	(1,569)	(403,296)
Cash flows from capital and related financing activities:						
Proceeds from notes payable and revenue bonds.....				513		513
Principal paid on notes payable and revenue bonds				(86,916)		(86,916)
Interest payments.....			(720)	(130,625)		(131,345)
Proceeds from sales of capital assets.....					10	10
Acquisition of capital assets.....	(16)			(325,439)	(588)	(326,043)
Payment of capital lease obligations.....			(25,190)			(25,190)
Net cash provided from capital & related financing activities.....	(16)		(25,910)	(542,467)	(578)	(568,971)
Cash flows from investing activities:						
Purchase of investments.....	(309,643)		(785)	(783,482)		(1,093,910)
Proceeds from maturity and sale of investments.....	316,332		17,063	830,584		1,163,979
Interest on investments.....	10,672	20,955		5,476	770	37,873
Net cash provided by investing activities.....	17,361	20,955	16,278	52,578	770	107,942
Net change in cash and cash equivalents.....	53,654	181,921	46,251	(13,741)	(609)	267,476
Balance - beginning of the year.....	988,014	805,903	117,982	302,321	103,775	2,317,995
Balance - end of the year.....	\$ 1,041,668	\$ 987,824	\$ 164,233	\$ 288,580	\$ 103,166	\$ 2,585,471

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2013

(Continued)

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss).....	\$ (28,802)	\$ (347,139)	\$ 919,534	\$ 270,849	\$ (8,711)	\$ 805,731
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization.....	5		25,404	103,743	1,480	130,632
Deferred prize payment			785			785
Effect of changes in assets and liabilities:						
Other accounts receivable.....	(32,731)	43,805	(3,285)	(518)	904	8,175
Due from other funds.....	(10,245)	393		95	(373)	(10,130)
Inventories.....				(396)	277	(119)
Loans and notes receivable.....	105,706			(35,868)	39	69,877
Other assets.....	172		(8)		4,369	4,533
Investments.....	(2,399)					(2,399)
Accounts payable and accrued liabilities.....	16,561	(1,460)	49,428	28,718	1,585	94,832
Due to other funds.....	2,935			(7,381)		(4,446)
Accrued insurance on loan losses.....	30,464				1,384	31,848
Other liabilities.....	(4,017)		68	3,710	(44)	(283)
Deferred revenue.....	(17)		(322)	3,246	(142)	2,765
Total adjustments.....	106,434	42,738	72,070	95,349	9,479	326,070
Net cash provided (used) by operating activities.....	\$ 77,632	\$ (304,401)	\$ 991,604	\$ 366,198	\$ 768	\$ 1,131,801
Noncash transactions (amounts expressed in thousands):						
Unrealized gain(loss) on investments	\$ (18,750)		\$ (4,232)	\$ (2,041)		
Amortization of deferred bond interest expense, debt issuance costs and premiums.....	33			(5,915)		
Loans converted to investments.....	700					
Additions to capital assets.....				320		

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013
(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund	Agency Funds
Assets:				
Cash	\$ 2,096,106		\$ 5	\$ 73,242
Equity in pooled invested cash	4,193			974,592
Investments:				
U.S. Treasury and agency obligations	2,444,303	\$ 2,033,080	22,992	
Repurchase agreements		322,180		
Bonds	4,119,001		35,132	
Corporate equity securities	12,740,665		149,828	
Commercial paper		279,500		
Bankers acceptances		2,683		
Mortgage related securities	2,089,156			
Mutual funds	11,699,757	185,344		
Guaranteed investment contracts	792,526			
Real estate	1,660,226		23,182	
Annuity contracts	94,433			
Private equity	2,722,518			
Alternative investments	57,040			
Securities lent with cash collateral	2,801,407			
Total investments	41,221,032	2,822,787	231,134	
Taxes receivable, net				138,603
Intergovernmental receivables				101
Other receivables	1,491,772	1,716		
Accounts receivable from state treasury				550,000
Collateral for lent securities	2,876,448			
Total assets	47,689,551	2,824,503	231,139	1,736,538
Liabilities:				
Accounts payable and accrued liabilities	1,500,879	266		141,669
Accounts payable to political subdivisions				1,594,869
Collateral obligation for lent securities	2,876,448			
Total liabilities	4,377,327	266		1,736,538
Net position:				
Held in trust for:				
Pension benefits	40,552,585			
Deferred compensation benefits	2,759,639			
Local Government Investment Pool participants		2,824,237		
Postretirement health benefits			231,139	
Total net position	\$ 43,312,224	\$ 2,824,237	\$ 231,139	\$ -

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013
(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund
Additions:			
Contributions:			
Employers.....	\$ 991,898		\$ 393,078
Members.....	870,359	\$ 5,874,877	
Sponsors.....	681,217		
Total contributions.....	2,543,474	5,874,877	393,078
Investment earnings:			
Net increase in fair value of investments	2,906,657		24,211
Interest.....	400,228	4,269	104
Dividends.....	1,107,491		
Real estate operating net earnings.....	37		
Total investment earnings	4,414,413	4,269	24,315
Less: investment expense.....	273,793	828	130
Net investment earnings	4,140,620	3,441	24,185
Total additions	6,684,094	5,878,318	417,263
Deductions:			
Benefit payments.....	3,160,895		393,078
Distributions to participants.....		3,441	
Redemptions (unit transactions at \$1.00 per unit)		5,309,567	
Refunds.....	38,281		
Administrative expenses.....	38,363		
Total deductions.....	3,237,539	5,313,008	393,078
Change in net position.....	3,446,555	565,310	24,185
Net position - beginning.....	39,865,669	2,258,927	206,954
Net position - ending.....	\$ 43,312,224	\$ 2,824,237	\$ 231,139

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
COMPONENT UNIT FINANCIAL STATEMENTS

Major Component Units

Higher Education

Higher education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single component unit. The financial information for certain foundations affiliated with the universities and colleges has not been included in this fund in accordance with GASB Statement No. 14 as amended by GASB Statements No. 39 and 61.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust is a program of the College Savings Plans of Maryland and directed by the Board to provide a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education.

Maryland Stadium Authority

The Maryland Stadium Authority was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State.

Non-major Component Units

Other Component Units

Non-major component units are presented individually in the combining section following the footnotes.

STATE OF MARYLAND
Combining Statement of Net Position
Component Units
June 30, 2013
(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Assets:					
Cash	\$ 91,614	\$ 14,003	\$ 526	\$ 50,816	\$ 156,959
Equity in pooled invested cash	1,898,733	375	6,663	43,272	1,949,043
Investments	6,722	755,911		17,851	780,484
Endowment investments	197,670				197,670
Foundation investments	1,054,525				1,054,525
Tuition contracts receivable	57,308	184,892			242,200
Other accounts receivable	408,237	1,573	7,085	11,948	428,843
Due from primary government			3,716	14,250	17,966
Inventories	11,721				11,721
Prepaid items	8,760				8,760
Deferred charges	450		1,133		1,583
Loans and notes receivable, net	68,113		4,394	879	73,386
Investments in direct financing leases			186,706		186,706
Other assets	12,294		1	6,413	18,708
Restricted assets:					
Cash	51,391			345	51,736
Investments	3,888		4,564	2,144	10,596
Capital assets (net of accumulated depreciation):					
Land	185,006			7,833	192,839
Structures and improvements	4,348,779		114,017	41,875	4,504,671
Infrastructure	206,903			293	207,196
Equipment	412,986	46	5,201	7,358	425,591
Construction in progress	698,761			584	699,345
Total assets	9,723,861	956,800	334,006	205,861	11,220,528
Liabilities:					
Salaries payable	154,866				154,866
Accounts payable and accrued liabilities	260,043	424	9,772	25,893	296,132
Due to primary government	1,060				1,060
Unearned revenue	202,633	16,347	705	4,618	224,303
Accrued insurance on loan losses				2,806	2,806
Other liabilities	1,466			228	1,694
Bonds and notes payable:					
Due within one year	85,284		34,259	770	120,313
Due in more than one year	1,188,899		194,486	18,947	1,402,332
Other noncurrent liabilities:					
Due within one year	101,457	75,400	122	38,039	215,018
Due in more than one year	198,960	672,736	17,745	18,510	907,951
Total liabilities	2,194,668	764,907	257,089	109,811	3,326,475
Deferred inflows of resources:					
Deferred service concession arrangement receipts	380,711				380,711
Total deferred inflows of resources	380,711				380,711

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Net position:					
Net investment in capital assets.....	\$ 4,207,544	\$ 46	\$ 77,533	\$ 32,189	\$ 4,317,312
Restricted:					
Debt service.....			3,190		3,190
Capital improvements and deposits.....		1,856	1,374	170	3,400
Nonexpendable:					
Scholarships and fellowships.....	304,258				304,258
Research.....	8,844				8,844
Other.....	390,433				390,433
Expendable:					
Debt service.....	3,764				3,764
Capital projects.....	5,651				5,651
Loans and notes receivable.....	73,165				73,165
Scholarships and fellowships.....	133,570				133,570
Research.....	100,886				100,886
Other.....	271,045				271,045
Unrestricted (deficit)	1,649,322	189,991	(5,180)	63,691	1,897,824
Total net position.....	\$ 7,148,482	\$ 191,893	\$ 76,917	\$ 96,050	\$ 7,513,342

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2013
(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Expenses:					
General and administrative.....		\$ 2,352	\$ 8,245	\$ 16,835	\$ 27,432
Operation and maintenance of facilities.....	\$ 337,144		22,762	83,535	443,441
Instruction.....	1,249,378				1,249,378
Research.....	958,855				958,855
Public service.....	154,588				154,588
Academic support.....	442,135				442,135
Student services.....	218,221				218,221
Institutional support.....	438,047				438,047
Scholarships and fellowships.....	118,119				118,119
Tuition benefits.....		79,584			79,584
Auxiliary.....	545,973				545,973
Hospitals.....	173,184				173,184
Interest on long-term debt.....	50,050		12,922	1,188	64,160
Depreciation and amortization.....		27	15,206	3,666	18,899
Foundation expenses.....	86,430				86,430
Other.....	4,437	6	6,726	22,135	33,304
Total expenses.....	4,776,561	81,969	65,861	127,359	5,051,750
Program revenues:					
Charges for services:					
Student tuition and fees (net of \$274,996 in allowances).....	1,257,535				1,257,535
Auxiliary enterprises (net of \$37,328 in allowances).....	603,510				603,510
Other	399,963	73,663	36,020	104,929	614,575
Total charges for services.....	2,261,008	73,663	36,020	104,929	2,475,620
Operating grants and contributions	1,475,735		20,977	22,538	1,519,250
Capital grants and contributions.....	198,401				198,401
Total program revenues.....	3,935,144	73,663	56,997	127,467	4,193,271
Net program revenue (expense).....	(841,417)	(8,306)	(8,864)	108	(858,479)
General revenues:					
Grants and contributions not restricted to specific programs.....	1,204,904				1,204,904
Unrestricted investment earnings.....	49,801	71,961		590	122,352
Additions to permanent endowments.....	4,397				4,397
Total general revenues and additions to permanent endowments.....	1,259,102	71,961		590	1,331,653
Change in net position.....	417,685	63,655	(8,864)	698	473,174
Net position - beginning of the year, as restated.....	6,730,797	128,238	85,781	95,352	7,040,168
Net position - end of the year.....	\$ 7,148,482	\$ 191,893	\$ 76,917	\$ 96,050	\$ 7,513,342

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Index for
Notes to the Financial Statements
For the Year Ended June 30, 2013

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STATE OF MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2013

1. Summary of Significant Accounting Policies:

A. Reporting Entity

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discrete Component Units

The discretely presented component units are those entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units column of the government-wide financial statements includes the financial data of the following major component units. Individual statements are presented for each component unit.

Higher Education (Proprietary Fund Type) – Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The universities and colleges are funded through State appropriations, tuition, federal grants, and private donations and grants. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Some of the financial information for foundations affiliated with the universities and colleges has not been included with the financial information of the universities and colleges in accordance with the requirements of GASB Statement No. 14, as amended by GASB Statements No. 39 and 61.

The Maryland Prepaid College Trust (Proprietary Fund Type) is a program of the College Savings Plans of Maryland and directed by its Board. The Board consists of five State officials and five members of the public appointed by the Governor. The Maryland Prepaid College Trust provides a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education. If the Trust's contract obligations exceed the market value of Trust assets, State appropriations may be provided.

Maryland Stadium Authority (Proprietary Fund Type) – The Maryland Stadium Authority (Authority) was created as a body corporate and politic and as an independent unit of the Executive Department of the State. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Authority's Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and Treasurer) have approved all of the projects and bond issuances of the Authority.

The non-major component units are comprised of the following proprietary fund type entities:

The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight members are appointed by the Governor. The Authority has statewide jurisdiction to promote the State's welfare by undertaking real estate development and management activities that facilitate the wholesale food industry activity in the public interest. It is subject to State regulations and approvals and has received State subsidies.

The Maryland Environmental Service (Service) was created as a body corporate and politic and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In

accordance with direction for the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

The Maryland Industrial Development Financing Authority (MIDFA) was established as a body corporate and politic and a public instrumentality of the State. The Authority consists of nine members, the Secretary of the Department of Business and Economic Development, or his designee, the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Secretary of the Department of Business and Economic Development and approved by the Governor. The MIDFA is subject to the authority of the Secretary and subject to State finance regulations. It provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

The Maryland Technology Development Corporation (Corporation) was established as a body corporate and politic and a public instrumentality of the State. The Corporation's Board of Directors consists of 15 individuals, the Secretary of the Department of Business and Economic Development and 14 members appointed by the Governor with the advice and consent of the Senate. Its budget is submitted to and approved by the State, and its major revenue source is State appropriations. The Corporation was created to assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by the colleges and universities and to assist in the commercialization of technology developed in the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

Complete financial statements of the individual component units and the Local Government Investment Pool of the Investment Trust Fund may be requested from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

Related Organizations

The Maryland Economic Development Corporation (MEDCO), Chesapeake Employers' Insurance Company (formerly Injured Worker's Insurance Fund) and the Maryland Automobile Insurance Fund are related organizations of the State. The Governor appoints a majority of the Board of Directors, but the State does not have the ability to impose its will on the organizations, and there is no financial benefit/burden relationship. As of June 30, 2013, the Economic Development Loan Programs, major enterprise funds, had transactions with MEDCO that included loans, investments and grants totaling \$11,220,000.

B. Government-wide and Fund Financial Statements

The State's government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. Interfund activity has been eliminated from these statements except for certain charges for services between activities that would distort the direct costs and program revenues reported for the applicable functions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Expenses reported for functional activities include allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements as those assets are not available to support government programs. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (other than the agency funds), financial statements. The

agency funds are reported using the accrual basis of accounting, but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement costs, other post-employment benefits, compensated absences, pollution remediation and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The State reports the following major governmental funds:

General Fund:

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, health and mental hygiene, education (other than higher education institutions), human resources, public safety, judicial, labor, licensing and regulation, natural resources and recreation, housing and community development, environment, agriculture, and business and economic development. Resources obtained from Federal grants and used for general fund activities consistent with applicable legal requirements, are recorded in the general fund.

Special Revenue Fund, Maryland Department of Transportation:

Transactions related to resources obtained, the uses of which are committed for specific purposes, are accounted for in the special revenue fund. The Maryland Department of Transportation special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation, including construction or improvement of transportation facilities and mass transit operations. Revenue sources dedicated to transportation operations include the excise taxes on motor vehicle fuel and motor vehicle titles, a portion of the State's corporation income tax and the State's sales tax, wharfage and landing fees, fare box revenues, bond proceeds, Federal grants for transportation purposes and other receipts of the Department's agencies.

Enterprise Funds:

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The enterprise funds differ from governmental funds in that the focus is on the flow of economic resources, which, together with the maintenance of equity, is an important financial indicator.

The major enterprise funds are as follows:

1. The Economic Development Loan Programs includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.
2. The Unemployment Insurance Program reflects the transactions and account balances of the Unemployment Insurance Program and is used to account for the unemployment taxes collected from employers, Federal revenue received and remittance of benefits to the unemployed.
3. The Maryland Lottery and Gaming Control Agency operates the State Lottery and regulates the operation of video lottery terminal (VLT) and table game casinos.
4. The Maryland Transportation Authority is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Fiduciary Funds:

1. The Pension and Other Employee Benefits Trust Fund (Pension Trust Fund) includes the Maryland State Retirement and Pension System, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Pension Trust Fund reflects the transactions and account balances of the plans administered by the State and is accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is reported as of and for its period ended December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a), and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.
2. The Investment Trust Fund reflects the transactions and account balances of the Maryland Local Government Investment Pool and is accounted for using the flow of economic resources measurement focus.
3. The Postretirement Health Benefits Trust Fund (OPEB Trust) accumulates funds to assist the State's Employee and Retiree Health and Welfare Benefits Program finance the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the Maryland State Retirement and Pension System, and its transactions and account balances are accounted for using the flow of economic resources measurement focus. The assets of the Pension and OPEB Trust are not pooled for investment purposes, and each trust's assets may be used only for the payment of benefits to the trust's members in accordance with the terms of the trust.
4. The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of litigants, patient and prisoner accounts, various taxes collected by the State for distribution to political subdivisions and amounts withheld from employee's payroll.

D. Change in Accounting Principles and Restatement of Beginning Balances

As of July 1, 2012, the State implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and has restated net position, where applicable, as of that date to comply with the Statement's provisions. These arrangements are discussed in Note 21. Accordingly, the University System of Maryland, a higher education institution, restated beginning net position as follows (amounts expressed in thousands):

Capital assets, net	\$ 441,994
Less: Deferred service concession arrangement receipts	<u>432,401</u>
Net increase in beginning net position	<u><u>\$ 9,593</u></u>

E. New Pronouncements

The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, in March 2012, effective for periods beginning after December 15, 2012. In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2013, and 2014, respectively. GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, was issued in January 2013, effective for periods beginning after December 15, 2013. GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013, is effective for periods beginning after June 15, 2013. The State will implement these statements as of their effective dates. While the State is still in the process of determining the effect of implementing these GASB statements, Statement No. 68 is expected to have a material effect on the financial position of the State.

2. Summary of Significant Accounting Policies – Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

A. All Funds:

Deposits with Financial Institutions and Investments:

The State Treasurer's Office operates a centralized cash receipt, investment and disbursement function for the majority of the State's funds as required by statute. Certain enterprise activities, pension funds, agency funds and component units are specifically exempt from this function in the law. Individual fund equity in pooled invested cash is reported as an asset on the balance sheets of those funds participating in the centralized cash receipt and disbursement function. Investment earnings accrue to those funds reporting equity in pooled invested cash only if the law specifically provides for the fund's accrual of interest earnings.

The State Treasurer's Office invests short-term cash balances on a daily basis primarily in U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Repurchase agreements that any of the above obligations secure.
- Certificates of deposits of Maryland financial institutions.
- Banker's acceptances.
- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.
- Securities Lending Collateral.

In addition, bond sale proceeds may be invested in municipal securities. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping. Investments are recorded at fair value and changes in fair value are recognized as revenue. Fair values are based on quotations from national security exchanges and security pricing services, or by the respective fund managers for securities which are not actively traded. Money market mutual funds and the Maryland Local Government Investment Pool are operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Their fair values are based on a share price of \$1.00 per share. Investments maturing within 90 days of purchase are reported in the financial statements as cash and cash equivalents.

The Maryland State Retirement and Pension System (System), in accordance with State Personnel and Pension Article Section 21-123 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in nondividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the total assets of the System. The System is authorized by Section 21-116 of the State Personnel and Pensions Article to establish and maintain the investment policy manual, which authorizes investing in all major sectors of the capital market to diversify and minimize total investment program risk. Such sectors would include, but are not limited to, common stock, preferred stock, convertible securities, warrants and similar rights of U.S. and non-U.S. companies; private equity – direct/partnership/funds; real estate investment trusts; commingled real estate funds; directly owned real estate; fixed income obligations of the U.S. government and its states and local subdivisions, non-U.S. governments and their states and local subdivisions, U.S. and non-U.S. companies, and supra-national organizations; futures and options; foreign exchange forward and future contracts and options; equity index futures; and equity options.

Investments of the System, the Postretirement Health Benefits Trust Fund (OPEB Trust) and the Maryland Transit Administration (MTA) Pension Plan are stated at fair value. The investments of the OPEB Trust and the MTA Pension Plan are held and invested on their behalf by the System and are limited to those allowed for the System. For fixed income securities, fair value is based on quoted market prices provided by independent pricing services. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages and mortgage related securities are valued on a basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

Fair value for real estate investments is based on estimated current values and independent appraisals. Fair value for private equity investments and mutual funds (other than those funds traded on a national or international exchange) is based on information provided by the applicable fund managers.

State employees are offered participation in deferred compensation plans created in accordance with the Internal Revenue Code, Sections 401(a), 401(k), 403(b) and 457. The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans is responsible for the implementation, maintenance and administration of the Plans. The Board has appointed a private company as the Plans' administrator. Assets of the Plans are valued at cost plus interest credited which approximates fair market value for fixed earnings investment contract pools and at fair value based on published quotations at each December 31, or net asset value as provided by the investment custodian, for variable earnings investments.

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems. (See footnote 15.) The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement costs have been provided on the accrual basis, based upon actuarial valuations, except that retirement expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Other Post-Employment Benefit Costs:

Substantially all State retirees may participate in the various health care plans offered by the State. (See footnote 16.) Post-employment health care costs have been provided on the accrual basis, based upon actuarial valuations, except that other post-employment expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Accrued Self-Insurance Costs:

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary funds and discretely presented component units on an accrual basis and the modified accrual basis for the governmental funds. The long-term accrued self-insurance costs of the governmental funds, which are not expected to be funded with current resources, are reported in the government-wide financial statements.

Annual Leave Costs:

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 75 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the government-wide financial statements. Liabilities for accumulated earned but unused annual leave applicable to proprietary funds and component units are reported in the respective funds.

Capital Assets:

Capital assets, which include property, plant, art and historical treasures, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure acquired prior to June 30, 1980, is not reported. Capital assets are defined by the government as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	5-75
Building Improvements	5-75
Vehicles	3-25
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-75

Deferred Outflows/Inflows of Resources:

A deferred outflow/inflow of resources is a consumption/acquisition of net assets that is applicable to a future reporting period. The State has recorded deferred outflows/inflows in connection with interest rate swap agreements and service concession arrangements reported and explained in these financial statements.

Long-term Obligations:

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted Resources:

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, and then unrestricted resources as they are needed.

Debt Refinancing:

The gain or loss associated with debt refinanced is deferred and amortized to interest expense over the remaining life of the old debt or the life of the new debt whichever is shorter.

Net Position:

Net position is divided into three categories. Net investment in capital assets is the capital assets less accumulated depreciation and outstanding principal of the related debt. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt also are included in this category. Restricted net position reflects restrictions on assets and deferred outflows imposed by parties outside the State or imposed by the State by constitutional provisions or enabling legislation. Unrestricted net position is total net position of the State less net investment in capital assets and restricted net position. Unrestricted net position is comprised mainly of cash, investments, loans and receivables.

B. Government Funds:

Inventories and Prepaid Items:

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements under the consumption method.

Grants:

Revenues from Federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are both measurable and available. The government considers all grant revenues to be available if they are collected within 60 days of the current fiscal period. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

Income Taxes:

The State accrues the net income tax receivable or records a deferred revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

Sales and Use Taxes:

The State accrues June sales taxes that are not remitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

Property Taxes:

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real property subject to taxation, due and payable each July 1 and December 1 (lien dates), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at 100% of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate in fiscal year 2013 was 11.2¢ per \$100 of assessed value. Unpaid property taxes are considered in arrears on October 1 and January 1, respectively, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Property taxes are accrued to the extent they are collected within 60 days of year end.

Escheat Property:

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund. An asset is recognized in the period when the legal claim to the assets arises or when the resources are received, whichever occurs first, and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

Intergovernmental Expenditures:

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions, are recorded as intergovernmental expenditures if such payments do not require mandatory use for specific functions. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

Capital Assets:

Expenditures for capital assets are reported as capital outlays in the governmental funds.

Compensated Absences:

It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity:

Fund balance for governmental funds is reported in categories and classifications that are presented in order of constraints on the specific purposes for which amounts in that fund can be spent. Nonspendable fund balance represents

amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Otherwise, fund balance is classified as restricted, committed, assigned, or unassigned. Amounts are reported as restricted when spending constraints are (a) externally imposed or (b) imposed by the government by constitutional provisions or enabling legislation. Committed fund balance includes amounts committed for specific purposes by formal action of the government's highest level of decision-making authority. In Maryland, the uses of these funds are established in statute after appropriate action by the General Assembly and the Governor. Assigned fund balance is intended spending expressed by (a) the governing body or (b) a body or official to which the governing body has delegated the authority to assign amounts. The Governor is authorized to assign current year funds for appropriation in the subsequent year's budget pursuant to budgetary policies adopted by the General Assembly. Unassigned fund balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the State considers restricted resources to have been spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the State considers committed, assigned, and unassigned amounts to have been spent in that order.

C. Enterprise Funds, Fiduciary Funds and Component Units:

Basis of Accounting

The accounts of the enterprise funds, fiduciary funds and component units are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds and component units distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents:

The enterprise funds consider all highly liquid investments that mature within 90 days of purchase to be cash and cash equivalents for reporting on the statement of cash flows.

Grants:

Revenues from Federal reimbursement type grants are recorded when the related expenses are incurred.

Capital Assets:

Capital assets are stated at cost. Depreciation of the cost of capital assets is provided on the straight-line basis over estimated useful lives of 5 to 75 years for depreciable real property and building improvements, and 3 to 10 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

MLGCA Revenues, Prizes and Related Transfers:

Revenues and prizes of the Maryland Lottery and Gaming Control Agency (MLGCA) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the MLGCA to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

Video lottery terminals (VLTs) are a self-activated video version of lottery games. The MLGCA recognizes VLT revenue as gross terminal revenue equivalent to all wagers, net of related prizes. Casino operators receive 33% or 50% of the gross terminal revenue to operate their casinos. Effective October 1, 2012, enabling legislation allowed the casino operators to retain their share of the gross terminal revenue. Accordingly, the casino operators' share has been reclassified from general and administrative expenses to commissions and bonuses. After deducting operating costs, State law requires the MLGCA to transfer the remainder of the gross terminal revenue to various general fund agencies, which are responsible for making further distributions.

In fiscal year 2013, table games opened at the casinos. Table games include blackjack, roulette, craps and various poker games. Table game revenue is equivalent to all wagers, net of related prizes. Casino operators receive 80% of the table game revenue to operate their casinos. These costs are recorded as commissions and bonuses. The remainder is remitted to the MLGCA which transfers it to the general fund in accordance with the enabling legislation.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

Inventories:

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

3. Deposits with Financial Institutions and the U.S. Treasury, Equity in Pooled Invested Cash and Investments:

Cash and cash equivalents, equity in pooled invested cash and investments as shown on the basic financial statements as of June 30, 2013, reconcile to cash deposit and investment disclosures as follows (amounts expressed in thousands).

Government-wide statement of net position:		
Cash.....	\$	368,750
Equity in pooled invested cash.		3,932,638
Investments.		2,947,432
Collateral for lent securities.		188,872
Restricted cash.		1,877,840
Restricted equity in pooled invested cash.		262,415
Restricted investments.		994,333
Statement of fiduciary net position:		
Cash.....		2,169,353
Equity in pooled invested cash.		978,785
Investments.		44,274,953
Collateral for lent securities.		2,876,448
Total cash and investments per basic financial statements.		60,871,819
Less: Cash and investments of higher education foundations not subject to disclosure.		1,101,394
Total cash and investments per Note 3.	\$	59,770,425
Cash Deposits:		
Governmental funds.	\$	163,270
Enterprise funds.		1,116,357
Fiduciary funds.		215,740
Component units.		114,746
Investments:		
Governmental funds.		5,691,834
Enterprise funds.		2,327,633
Fiduciary funds.		49,105,013
Component units.		1,035,832
Total cash deposits and investments.	\$	59,770,425

Cash and equity in pooled invested cash for financial statement presentation include short-term investments maturing within 90 days of purchase. Investments for financial statement presentation include certificates of deposit maturing 90 days or more from date of purchase.

A. Cash Deposits:

As of June 30, 2013, the carrying value for the bank deposits of the governmental funds, enterprise funds, fiduciary funds and component units were \$163,270,000, \$1,116,357,000, \$215,740,000, and \$114,746,000, respectively. The bank balances were \$351,044,000, \$1,112,092,000, \$215,740,000, and \$148,691,000, respectively.

Custodial Risk. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. State law permits the Treasurer to deposit in a financial institution in the State, unexpended or surplus money in which the Treasurer has custody if (a) the deposit is interest bearing; (b) the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance; and (c) a custodian holds the collateral.

The Economic Development Loan Programs and higher education component unit do not have a deposit policy for custodial credit risk. As of June 30, 2013, \$39,000, and \$6,544,000, respectively, of their bank balances were exposed to custodial credit risk as uninsured and uncollateralized. The Maryland Prepaid College Trust does not have a policy for custodial credit risk. As of June 30, 2013, \$31,612,000, of its bank balances were exposed to custodial credit risk as uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Trust's name.

B. Investments:

The State discloses investment risks as follows:

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

1. Investments-Governmental Funds:

The State Treasurer's Office is authorized to make investments as stated in footnote 2.A.

Investments are stated at fair value that is based on quoted market prices. The investments and maturities as of June 30, 2013, for the governmental funds of the primary government are as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	More than 3
U.S. Agencies (a).....	\$ 5,155,255	\$ 6,125	\$ 40,124 (b)	\$ 5,109,006 (c)
Repurchase Agreements	322,998	292,871	13,315	16,812
Local Government Investment Pool	<u>24,709</u>	<u>24,709</u>		
Total Investments.....	5,502,962	323,705	53,439	5,125,818
Collateral for lent securities.....	<u>188,872</u>	<u>188,872</u>		
Total Investments and collateral for lent securities.....	\$ 5,691,834	\$ 512,577	\$ 53,439	\$ 5,125,818

(a) Investments held by broker dealers under securities lending program are \$151,670,000.

(b) Bonds in the amount of \$40,124,000, mature September 2015, but are callable September 2013.

(c) Bonds in the amount of \$5,022,861,000, mature February 2017 to June 2018, but are callable July 2013 to June 2015.

Interest Rate Risk. The State Treasurer's Office's investment policy states that to the extent possible, it will attempt to match

its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase. Sinking fund investments with guaranteed earnings to redeem term bonds beginning in fiscal year 2016 were \$ 30,127,000.

Credit Risk. State law requires that the governmental funds' repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments are made directly in U.S. agency obligations. Obligations of the Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation are rated Aaa by Moody's, AA by Standard & Poor's and AAA by Fitch. Obligations of the Federal Home Loan Bank are rated Aaa by Moody's and AA by Standard & Poor's. Obligations of the Federal Agricultural Mortgage Corporation are not rated. The Local Government Investment Pool is rated AAAM by Standard & Poor's.

Concentration of Credit Risk. The State Treasurer's Office's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. More than 5 percent of the governmental funds' investments are in the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, and the Federal Agriculture Mortgage Association. These investments are 39.0%, 35.0%, 15.6%, and 5.5% of the governmental funds' total investments, respectively.

2. Investments – Enterprise Funds:

The enterprise funds' bond indentures and investment policies, with the exception of the Economic Development Loan Programs, authorize the investment of assets related to the indentures and other funds in obligations in which the State Treasurer may invest. The Economic Development Loan Programs are authorized to invest in obligations of the U.S. Treasury, U.S. government agencies, obligations of U.S. political subdivisions, bankers' acceptances, commercial paper, repurchase agreements, guaranteed investment contracts, corporate debt securities and mutual funds in accordance with bond indentures and in direct equity investments in accordance with the statute establishing the program.

Investments of the enterprise funds are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2013, for the enterprise funds of the primary government are as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
U.S. Treasury obligations.....	\$ 627,286	\$ 10,259	\$ 3,837	\$ 4,807	\$ 9,551	\$ 598,832
U.S Government agency obligations	749,934	212,664	523,619	2,540		11,111
Repurchase Agreements.....	21,847	19,439				2,408
Guaranteed Investment Contracts	16,095	2,074	14,021			
Money market mutual funds	741,891	741,891				
Municipal Bonds.....	<u>59,872</u>		<u>49,252</u>	<u>10,620</u>		
Total	\$ 2,216,925	\$ 986,327	\$ 590,729	\$ 17,967	\$ 9,551	\$ 612,351

In addition to the investments scheduled above, as of June 30, 2013, the enterprise funds' investments also include the fair value of direct equity investments, \$51,385,000.

The MLGCA, a major enterprise fund, invests in U.S. Treasury obligations and annuity contracts that provide for guaranteed payouts to jackpot prize winners and, therefore, have no interest rate risk to the MLGCA. As of June 30, 2013, the fair value of these investments was \$59,095,000, and \$228,000, respectively. Of these investments, U.S. Treasury obligations held by broker dealers under the securities lending program were \$33,908,000.

Interest Rate Risk. The enterprise funds' policy for managing their exposure to fair value loss arising from increasing interest rates is to manage investment maturities so that they precede or coincide with the expected need for funds.

Credit Risk. The investment policies of the enterprise funds require that repurchase agreements are collateralized by

U.S. Treasury and agency obligations. The policies also require that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by these or that they receive the highest possible rating from at least one nationally recognized securities rating organization and that commercial paper be rated A-1, P-1. According to the indenture and investment policy of the Economic Development Loan Programs, investments must be rated no lower than the rating on the Loan Programs' bonds or F1/P1 for the issuer's short-term accounts or securities. The rating on the Loan Programs' bonds as of June 30, 2013, was Aa by Moody's and AA by Fitch.

As of June 30, 2013, the enterprise funds had the following investments and quality ratings (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. Government agency obligations	\$ 13,651	Aaa	Moody's	0.59 %
U.S. Government agency obligations	736,283	AA	S&P	31.63
Money Market Mutual Funds	737,241	AAAm/Aaa	S&P/Moody's	31.67
Money Market Mutual Funds	4,650	Unrated		0.20
Repurchase agreements - underlying securities	21,847	Aaa	Moody's	0.94
Guaranteed investment contracts	11,109	Aaa	Moody's	0.48
Guaranteed investment contracts	4,986	A	Moody's	0.21
Municipal Bonds	<u>59,872</u>	AAA	S&P	<u>2.57</u>
Total	\$ 1,589,639			68.29 %

Concentration of Credit Risk. The enterprise funds place no limit on the amount they may invest in any one issuer of U.S. Government agency obligations. More than 5% of the enterprise funds' investments are in obligations of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Federal Home Loan Bank. These investments are 10.1%, 9.4%, and 7.3% of the enterprise funds' total investments, respectively.

3. Investments – Fiduciary Funds:

The Pension Trust Funds and Postretirement Health Benefits Trust Fund are authorized to make investments as stated in Note 2.A.

The Maryland Local Government Investment Pool is authorized by Article 95, Section 22G, of the Annotated Code of Maryland to invest in any instrument in which the State Treasurer may invest. Investments of the Pool are stated at fair value. Securities are valued daily on an amortized cost basis which approximates market value. Money market funds are valued at the closing net asset value per share on the day of valuation.

The investments and maturities as of June 30, 2013, for the fiduciary funds of the primary government are as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury notes and bonds.....	\$ 3,738,200	\$ 450,452	\$ 1,239,275	\$ 1,262,527	\$ 785,946
U.S. Treasury strips.....	25,155			2,080	23,075
U.S. Government agency obligations	1,865,886	1,699,468	56,527	96,948	12,943
Repurchase agreements.....	322,180	322,180			
Banker's agreements.....	2,683	2,683			
Commercial paper.....	279,500	279,500			
Guaranteed investment contracts (a).....	792,526		792,526		

Corporate bonds	2,049,005	79,474	752,306	1,030,563	186,661
International bonds.....	1,593,188	89,104	376,241	533,164	594,679
Other government bonds.....	458,644	45,203	166,839	153,561	93,041
Mortgage-backed securities	2,122,474	163	27,346	99,609	1,995,356
Asset-backed securities.....	292,997	158	94,616	54,293	143,930
Bond mutual funds.....	162,774	5,332		157,442	
Swaps	3,866	(8)	668	2,137	1,070
Alternative investments	57,045		32,832	24,019	194
Money market mutual funds	2,135,415	2,135,415			
Total investments	15,901,538	5,109,124	3,539,176	3,416,343	3,836,895
Collateral for lent securities	2,876,448	2,876,448			
Total investments and collateral for lent securities.....	\$ 18,777,986	\$ 7,985,572	\$ 3,539,176	\$ 3,416,343	\$ 3,836,895

(a) These investments are stated at contract value as of December 31, 2012. The fair value as of December 31, 2012, was \$825,949,000, and the wrapper value was \$115,000.

In addition to the investments scheduled above, as of June 30, 2013, the fiduciary funds' investments also include the fair value of stock mutual funds, \$11,536,984,000, corporate equity securities, \$14,286,142,000, private equity, \$2,722,519,000, real estate, \$1,683,408,000, annuity contracts, \$94,433,000, and insurance contracts, \$3,541,000.

Interest Rate Risk. As of June 30, 2013, the System had \$1.6 billion invested in mortgage pass-through securities. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

The Deferred Compensation Plans (Plans) invest in annuity contracts and insurance contracts that provide for guaranteed payouts to participants and, therefore, have no interest rate risk to the Plans. As of June 30, 2013, the fair value of these investments was \$94,433,000 and \$3,541,000, respectively.

The State Treasurer's Office manages the Local Government Investment Pool. The State Treasurer's investment policies state that no direct investment by the Pool may have a maturity date of more than 13 months after its acquisition.

Credit Risk. The investment policy of the System regarding credit risk is determined by each investment manager's mandate. The Local Government Investment Pool may invest in banker's acceptances and commercial paper rated only Tier 1 by at least one nationally recognized securities rating organization. As of June 30, 2013, the fiduciary funds' investments were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Percentage of Total Investments
U.S. Government agency obligations	\$ 24,913	AAA	0.05 %
U.S. Government agency obligations	1,769,133	AA	3.83
U.S. Government agency obligations	29,097	A	0.06
U.S. Government agency obligations	613	BAA	
U.S. Government agency obligations	649	BBB	
U.S. Government agency obligations	41,482	Unrated	0.09
Repurchase agreements - underlying securities.....	322,180	AA	0.70
Money market mutual funds	185,350	AAA	0.40
Money market mutual funds	1,950,067	A	4.22
Banker's acceptances.....	2,683	A1/P1	0.01

Commercial paper.....	279,500	AAA	0.60
Guaranteed investment contracts.....	788,300	AA	1.71
Guaranteed investment contracts.....	4,226	Unrated	0.01
Corporate bonds.....	7,297	AAA	0.02
Corporate bonds.....	90,696	AA	0.20
Corporate bonds.....	345,976	A	0.75
Corporate bonds.....	222,486	BAA	0.48
Corporate bonds.....	2,032	BA	
Corporate bonds.....	569,749	BBB	1.23
Corporate bonds.....	145,763	BB	0.32
Corporate bonds.....	172,009	B	0.37
Corporate bonds.....	21,524	CAA	0.05
Corporate bonds.....	56,844	CCC	0.12
Corporate bonds.....	928	CC	
Corporate bonds.....	2,163	D	
Corporate bonds.....	390,765	Unrated	0.85
International bonds.....	244,629	AAA	0.53
International bonds.....	176,497	AA	0.38
International bonds.....	79,335	A	0.17
International bonds.....	84,604	BAA	0.18
International bonds.....	1,816	BA	
International bonds.....	55,727	BBB	0.12
International bonds.....	13,171	BB	0.03
International bonds.....	4,805	B	0.01
International bonds.....	7,748	CCC	0.02
International bonds.....	4,089	CAA	0.01
International bonds.....	920,767	Unrated	1.99
Other government bonds.....	36,932	AAA	0.08
Other government bonds.....	69,870	AA	0.15
Other government bonds.....	116,190	A	0.25
Other government bonds.....	26,600	BAA	0.06
Other government bonds.....	1,915	BA	
Other government bonds.....	125,170	BBB	0.27
Other government bonds.....	41,233	BB	0.09
Other government bonds.....	18,480	B	0.04
Other government bonds.....	690	CAA	
Other government bonds.....	1,646	CCC	
Other government bonds.....	19,918	Unrated	0.04
Mortgage-backed securities.....	102,697	AAA	0.22
Mortgage-backed securities.....	1,570,585	AA	3.40
Mortgage-backed securities.....	54,465	A	0.12
Mortgage-backed securities.....	9,067	BAA	0.02

Mortgage-backed securities	5,564	BA	0.01
Mortgage-backed securities	34,827	BBB	0.08
Mortgage-backed securities	10,076	BB	0.02
Mortgage-backed securities	8,085	B	0.02
Mortgage-backed securities	12,603	CAA	0.03
Mortgage-backed securities	27,695	CCC	0.06
Mortgage-backed securities	9,534	CC	0.02
Mortgage-backed securities	15,412	D	0.03
Mortgage-backed securities	261,863	Not rated	0.57
Asset-backed securities-Other	122,731	AAA	0.27
Asset-backed securities-Other	36,387	AA	0.08
Asset-backed securities-Other	33,229	A	0.07
Asset-backed securities-Other	4,868	BAA	0.01
Asset-backed securities-Other	5,615	BA	0.01
Asset-backed securities-Other	13,650	BBB	0.03
Asset-backed securities-Other	588	BB	
Asset-backed securities-Other	9,316	B	0.02
Asset-backed securities-Other	14,902	CAA	0.03
Asset-backed securities-Other	2,604	CA	0.01
Asset-backed securities-Other	31,995	CCC	0.07
Asset-backed securities-Other	8,520	CC	0.02
Asset-backed securities-Other	8,592	Not rated	0.02
Bond mutual funds	162,774	Not rated	0.35
Swaps	3,866	Not rated	0.01
Alternative investments	<u>57,040</u>	Not rated	<u>0.12</u>
Total	\$ 12,117,407		26.21 %

Foreign Currency Risk. The majority of the System's foreign currency-denominated investments are in equities. The System has an overlay program to minimize its currency risk.

The System's exposure to foreign currency risk as of June 30, 2013, is as follows (amounts expressed in thousands).

Currency	Equity	Fixed Income	Cash	Alternative Investments	Total
Argentine Peso		\$ 86			\$ 86
Australian Dollar.....	\$ 238,997	61,873	\$ 4,871	\$ 80,474	386,215
Brazilian Real.....	30,684	20,409	851	9,261	61,205
Canadian Dollar	342,333	25,951	2,655	60,822	431,761
Czech Koruna.....	5,771		27		5,798
Danish Krone	63,577		18	17,157	80,752
Egyptian Pound.....	1,220				1,220
Euro Currency	1,579,734	528,805	25,875	659,483	2,793,897
Ghana Cedi.....		246			246
Hong Kong Dollar.....	328,464		1,965	79,184	409,613
Hungarian Forint.....	2,036		102		2,138
India Rupee			(502)		(502)
Indonesian Rupiah	12,354		200		12,554
Israeli Shekel.....	10,426		178		10,604
Japanese Yen	1,010,442	99,853	10,826	96,376	1,217,497
Kenyan Shilling	108				108
Malaysian Ringgit.....	31,913	599	746		33,258
Mexican Peso	16,017	48,971	10,181	10,900	86,069
Moroccan Dirham	231				231
New Russian Ruble.....	706	926			1,632
New Taiwan Dollar	23,430		254		23,684
New Zealand Dollar	3,471	24,083	577	15,036	43,167
Nigerian Naira.....	2,628				2,628
Norwegian Krone	66,499		302	1,018	67,819
Philippine Peso.....	4,698		44		4,742
Polish Zloty	2,875		101		2,976
Pound Sterling.....	1,047,139	151,520	17,886	604,257	1,820,802
Singapore Dollar	92,910		1,092	21,797	115,799
South African Rand.....	33,727	12,863	1,026		47,616
South Korean Won.....	101,653		1,301		102,954
Swedish Krona	163,384	850	605	34,995	199,834
Swiss Franc	471,017		476	6,171	477,664
Thailand Baht.....	25,923		750		26,673
UAE Dirham	30,852		196		31,048
Turkish Lira.....	2,037		4		2,041
Yuan Renminbi.....			(3)		(3)
Mutiple.....	1,276,008	4,822		224,731	1,505,561
Total	\$ 7,023,264	\$ 981,857	\$ 82,604	\$ 1,921,662	\$ 10,009,387

Derivatives:

Each System investment manager's guidelines determine the extent to which derivatives are permissible. Futures and other derivatives are permitted to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities. Unleveraged derivatives are permitted for the purpose of hedging investment risk, to replicate an investment that would otherwise be made directly in the cash market or to modify asset exposure in tactical portfolio shifts. Use of derivatives is not permitted to materially alter the characteristics, including the investment risk, of each manager's account. The investment managers are to have in place, and use, procedures that subject derivative based strategies to rigorous scenario and volatility analysis. Futures and short option positions must be hedged with cash, cash equivalents or current portfolio security holdings.

A list of derivatives aggregated by investment type is as follows (amounts expressed in thousands).

	Changes in Fair Value		Fair Value as of June 30, 2013		Notional*
	Classification	Amount	Classification	Amount	
Commodity futures long	Investment revenue	\$ (21,436)	Futures		\$ 145,833
Commodity futures short	Investment revenue	1,622	Futures		(17)
Credit default swaps bought	Investment revenue	(1,775)	Swaps	\$ 136	33,567
Credit default swaps written	Investment revenue	2,457	Swaps	(236)	77,709
Currency swaps	Investment revenue	5,837	Swaps	2,902	17,683
Fixed income futures long	Investment revenue	(5,456)	Futures		1,069,106
Fixed income futures short	Investment revenue	16,348	Futures		(392,171)
Fixed income options bought	Investment revenue	(311)	Options	940	9,000
Fixed income options written	Investment revenue	2,002	Options	(3,660)	(314,030)
Foreign currency options bought	Investment revenue	(1,191)	Options		
Foreign currency options written	Investment revenue	138	Options	(72)	(8,087)
Futures options bought	Investment revenue	(6,316)	Options	143	818
Futures options written	Investment revenue	7,307	Options	(2,241)	(3,294)
			Long Term		
FX forwards	Investment revenue	150,099	Instruments	92,675	
Index futures long	Investment revenue	13,251	Futures		403
Pay fixed interest rate swaps	Investment revenue	(756)	Swaps	2,892	183,264
Receive fixed interest rate swaps	Investment revenue	1,402	Swaps	(1,879)	86,323
Rights	Investment revenue	478	Common stock	699	1,448
Total return swaps bond	Investment revenue	(26)	Swaps	51	2,560
Warrants	Investment revenue	381	Common stock	6,158	533
Grand Totals		\$ 164,055		\$ 98,508	

*Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions

Credit Risk. The System is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to losses related to credit risk, the investment managers use counterparty collateral in their non-exchange-traded derivative instruments. Netting arrangements are also used when entering into more than one derivative instrument transaction with a counterparty. At the present time the System does not have a formal policy relating to counterparty collateral or netting arrangements.

The aggregate fair value of derivative instruments in asset positions as of June 30, 2013, was \$553,607,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform. The maximum loss would, however, be reduced by the counterparty collateral and the liabilities included in netting arrangements with counterparties.

The following tables list the fair value of credit exposure per ratings of Standard & Poor's (S&P), Moody's and Fitch for the counterparties (amounts expressed in thousands).

Fair Value	S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating
\$414,227	AA	\$ 445,625	Aa	\$414,227	AA
139,380	A	104,916	A	139,380	A
		3,066	Baa		
\$553,607		\$553,607		\$553,607	

Risk concentrations are presented in the table below.

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Westpac Banking Corporation	20%	AA	AA	Aa
JP Morgan Chase Bank, N.A.	19	A	A	Aa
Toronto Dominion Bank	15	AA	AA	Aa
Royal Bank of Canada (UK)	15	AA	AA	Aa
HSBC Bank PLC	13	AA	AA	A
Northern Trust Company, THE	10	AA	AA	Aa
Commonwealth Bank of Australia	2	AA	AA	Aa
Goldman Sachs Capital Markets LP	1	A	A	A
Citibank N.A.	1	A	A	A
UBS AG	1	A	A	A
Goldman Sachs CME	1	A	A	A
Deutsche Bank AG London	1	A	A	A
Credit Suisse London Branch (GFX)	1	A	A	A
Morgan Stanley and Co. International PLC	1	A	A	Baa

4. Investments – Component Units:

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments and are invested in accordance with the investment policies adopted by the Board of Trustees. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, asset-backed securities and mutual funds that invest in government securities. The investments of the higher education foundations are not included in the GASB Statement No. 40 disclosures below because the foundations are not required to and do not follow statements of GASB.

One of the institutions, the University System of Maryland, transferred title to its endowment investments to its foundation in exchange for an equivalent proportionate interest in the long-term investment portfolio managed by the foundation. In June 2011, the institution entered into a new agreement with the foundation. The agreement is for a term of five years, with renewable two-year extensions at the option of the institution, unless notice of intent to terminate the arrangement is provided prior to the expiration of the term. If the agreement is terminated, funds invested with individual investment managers that have commitments from the foundation to maintain investments for certain minimum time periods may not be returned to the institution until those constraints have been satisfied. For reporting purposes, the foundation's investments have been reduced by the amount of the institution's investments with the foundation.

The Maryland Stadium Authority is restricted by the trust indenture for each bond issue as to the investments which can be made. Authorized investments under the indentures include U.S. Treasury and agency obligations, municipal obligations, banker's acceptances, and repurchase agreements.

Investments of the component units are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2013, for the component units were as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
US Treasury obligations	\$ 22,409	\$ 2,909	\$ 16,904	\$ 351	\$ 31	\$ 2,214
US Government agency obligations	64,045	5,315	6,788	1,391	9,429	41,122
Bond mutual funds	87,574	86,010	1,564			
Corporate debt securities	93,887	2,230	39,785	23,567	1,353	26,952
Municipal bonds	6,367	391				5,976
Money market mutual funds	69,194	69,194				
Total	\$ 343,476	\$ 166,049	\$ 65,041	\$ 25,309	\$ 10,813	\$ 76,264

In addition to the investments scheduled above, as of June 30, 2013, the component units' investments include the fair value of stock mutual funds, \$288,516,000, corporate equity securities, \$171,863,000, real estate, \$39,056,000, and the share of assets invested with the foundation, \$192,921,000.

Interest Rate Risk. The policy of the higher education institutions for managing their exposure to fair value loss arising from increasing interest rates is to comply with their investment policy, which sets maximum maturities for various fixed income securities.

Credit Risk. The policy of the higher education institutions for reducing their exposure to credit risk is to require minimum quality ratings for fixed income securities. The investment policy of the Maryland Prepaid College Trust details the minimum quality standards for the Trust's bond portfolios. The trust indenture for each bond issuance by the Maryland Stadium Authority requires money market investments to be rated in the highest category by two nationally recognized securities rating organizations.

As of June 30, 2013, the component units had the following investments and quality ratings (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. Agencies.....	\$ 12,181	AAA/Aaa	S&P & Moody's	1.2%
U.S. Agencies.....	51,863	Not rated		5.0
Money Market Mutual Funds	61,542	Aaa	Moody's	5.9
Money Market Mutual Funds	7,652	Not rated		0.7
Bond Mutual Funds.....	1,564	AAA	S&P	0.2
Bond Mutual Funds.....	86,010	Not rated		8.3
Corporate Debt Securities.....	2,776	AAA	S&P	0.3
Corporate Debt Securities.....	13,281	AA	S&P	1.3
Corporate Debt Securities.....	24,874	A	S&P	2.4
Corporate Debt Securities.....	35,560	Less than A	S&P	3.4
Corporate Debt Securities.....	82	BBB	S&P	
Corporate Debt Securities.....	17,315	Not rated		1.7
Municipal Bonds.....	<u>6,367</u>	AAA	S&P	<u>0.6</u>
Total	\$ 321,067			31.0%

Concentration of Credit Risk. The component units place no limit on the amount they may invest in U.S. Government issuers.

In addition to the Maryland Prepaid College Trust, the College Savings Plans of Maryland consists of the Maryland College Investment Plan, a fiduciary component unit. As of June 30, 2013, the Plan had \$3,207,837,000, of investments held in trust for individuals and organizations.

C. Securities Lending Transactions:

1. Governmental and Enterprise Fund Types:

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities to broker-dealers and other entities (borrowers). The State Treasurer's Office controls the program and authorizes all transactions. These transactions may involve certain investments held in the State treasury for the benefit of State agencies. The State's custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. Additionally, under the terms of the lending agreement, the lending agent indemnifies the State against any credit loss arising from investment of the collateral. The collateral will be returned for the same securities in the future. Cash collateral is initially pledge at a greater than the market value of the securities lent and additional cash collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent.

Securities on loan at year-end are owned by the general fund and the Maryland Lottery and Gaming Control Agency and

are included in the preceding Investments Note 3.B. At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. As of June 30, 2013, the fair value of the loaned securities and the related collateral were as follows (amounts expressed in thousands).

	Fair Value		
	Lent Securities	Collateral Received	Percent Collateralized
Securities-General fund	\$151,670	\$154,220	101.7%
Securities-MLGCA	<u>33,908</u>	<u>34,652</u>	<u>102.2%</u>
Total	\$185,578	\$188,872	101.8%

Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. The duration of lending agreements is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements. Such matching existed at year-end. Investments made with cash received as collateral are included in the preceding Investments-Governmental Funds Schedule in 3.B.1.

The State's custodial bank is obligated to indemnify the State against liability for any suits, actions or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 2013.

2. Fiduciary Funds:

The Pension Trust Funds (Funds) participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Fund's custodian lends specified securities to independent brokers in return for collateral of greater value. The preceding Investments – Fiduciary Funds Schedule in 3.B.3 includes securities lent at year-end and investments purchased with collateral received.

Borrowing brokers must transfer in the form of cash or other securities, collateral valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 103% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the lent securities. The Funds have not experienced any loss due to credit or interest rate risk on securities lending activity since inception of the program. As of June 30, 2013, the funds had no credit risk exposure to borrowers because the fair value of collateral held for securities lent exceeded the fair value of the related securities, as follows (amounts expressed in thousands).

	Fair Value		
	Lent Securities	Collateral Received	Percent Collateralized
Lent for cash collateral:			
Fixed income securities.....	\$1,362,770	\$1,388,584	102%
Domestic equities.....	955,961	981,272	103%
International equities.....	<u>361,913</u>	<u>383,292</u>	<u>106%</u>
Subtotal.....	2,680,644	2,753,148	
Lent for noncash collateral:			
Fixed income securities.....	110,694	112,977	102%
Domestic equities	8,844	9,067	102%
International equities	<u>1,225</u>	<u>1,256</u>	<u>103%</u>
Total securities lent.....	\$2,801,407	\$2,876,448	103%

During fiscal year 2013, the Funds maintained the right to terminate securities lending transactions upon notice. Cash collateral is invested in one of the lending agent's short-term investment pools, which as of June 30, 2013, had an average duration of 29 days and an average final maturity of 92 days. Because the relationship between the maturities of the investment

pools and the Fund's security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds can pledge or sell cash collateral securities received without a borrower default.

4. Receivables:

Taxes receivable, as of June 30, 2013, consisted of the following (amounts expressed in thousands).

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue		
Income taxes	\$ 726,427			\$ 726,427
Sales and use taxes.....	419,177			419,177
Transportation taxes, primarily motor vehicle fuel and excise		\$144,858		144,858
Other taxes, principally alcohol and property	55,169		\$21,846	77,015
Less: Allowance for uncollectibles	41,683			41,683
Taxes receivable, net.....	\$ 1,159,090	\$144,858	\$21,846	\$1,325,794

Tax revenues are reported net of uncollectible amounts. Total uncollectible amounts related to tax revenues of the current period were \$5,234,000.

Other accounts receivable in the governmental funds of \$598,573,000, including \$72,305,000, due in excess of one year, consisted of various miscellaneous receivables for transportation costs, collection of bills owed to the State's collection unit, Medicaid reimbursements, and child support and public assistance overpayments.

Other accounts receivable for the enterprise funds of \$465,043,000, primarily consisted of \$228,352,000, due to the Unemployment Insurance Program from employers and for benefit overpayments, \$28,000,000, due to the Economic Development Loan Programs from insurance companies for sales of InvestMD tax credits, and \$44,752,000, due to the Maryland Lottery and Gaming Control Agency from lottery retailers for ticket sale proceeds and from casino operators for gross terminal revenue and table game revenue.

5. Deferred Revenue:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds, enterprise funds and component units also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of June 30, 2013, the various components of deferred revenue reported in the governmental funds and enterprise funds were as follows (amounts expressed in thousands).

	Unavailable	Unearned	Total
Tax receivables for revenues not considered available to liquidate liabilities of the current period (general fund)	\$239,218		\$239,218
Other receivables for revenues not considered available to liquidate liabilities of the current period (general fund)	211,366		211,366
Receipts that have been received, but not earned (general fund)		\$ 23,193	23,193
Other receivables for revenues not considered available to liquidate liabilities of the current period (special revenue fund)	27,538		27,538
Revenue in connection with resources that have been received, but not earned (special revenue fund)		141,635	141,635
Revenue in connection with resources that have been received, but not earned (enterprise funds)		26,319	26,319
Total deferred/unearned revenue for governmental funds and enterprise funds	\$478,122	\$191,147	\$669,269

6. Loans and Notes Receivable and Investment in Direct Financing Leases:

A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2013, consisted of the following (amounts expressed in thousands).

	Primary Government			Component Units		
	General	Non-major Governmental Funds	Enterprise	Higher Education	Stadium Authority	Other
Notes receivable:						
Political subdivisions:						
Water quality projects		\$ 1,852	\$ 945,473			
Public school construction		76				
Other		9				
Volunteer fire & rescue companies	\$ 10,224					
Permanent mortgage loans			2,764,041			
Student and health profession loans				\$ 74,637		
Shore erosion loans	8,814					
Other	242			7,283	\$ 4,394	\$ 2,066
Total	19,280	1,937	3,709,514	81,920	4,394	2,066
Less: Allowance for possible loan losses			319,635	13,807		1,187
Loans and notes receivable, net	19,280	1,937	3,389,879	68,113	4,394	879
Due within one year	2,022	120	132,596	7,843	534	176
Due in more than one year	\$ 17,258	\$ 1,817	\$ 3,257,283	\$ 60,270	\$ 3,860	\$ 703

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.4% to 8.8% and mature within 20 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater and drinking water projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds' Federal assistance program. The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes. Student and health profession loans are made pursuant to student loan programs funded through the U.S. Government.

B. Investment in Direct Financing Leases:

Enterprise Funds:

As of June 30, 2013, the Maryland Transportation Authority (Authority) has direct financing leases with the State's Department of Transportation, the Washington Metropolitan Area Transit Authority (WMATA), and the general fund. The present value of direct financing leases as of June 30, 2013, was \$377,533,000. As of June 30, 2013, the Authority held \$203,266,000, to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consisted of the following (amounts expressed in thousands).

2014.....	\$ 35,634
2015.....	25,299
2016.....	26,184
2017.....	26,049
2018.....	26,824
2019-2023	146,145
2024-2028	157,805
2029-2033	96,475
Total	540,415
Unearned interest income	40,384
Total lease payments	580,799
Less: Restricted investments related to unexpended bond proceeds	203,266
Net investment in direct financing leases:	\$ 377,533

Component Units:

As of June 30, 2013, the Maryland Stadium Authority (Authority) has direct financing leases with the State. The present value of the direct financing leases as of June 30, 2013, is \$186,706,000. As of June 30, 2013, the Authority held \$1,194,000, to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (amounts expressed in thousands).

2014.....	\$ 31,770
2015.....	30,456
2016.....	25,403
2017.....	24,043
2018.....	23,965
2019-2023	77,245
2024-2028	22,642
Total	235,524
Less: unearned interest income	47,624
Net Lease payments	187,900
Less: Restricted investments related to unexpended bond proceeds	1,194
Net investment in direct financing leases.....	\$ 186,706

7. Restricted Assets:

Certain assets of the governmental activities, business-type activities and component units are classified as restricted assets on the Statement of Net Position. The purpose and amount of restricted assets as of June 30, 2013, are as follows (amounts expressed in thousands).

Amount	Purpose
Governmental Activities:	
\$ 18,959	Represents money restricted for construction retainages related to highway projects
235,642	Represents State property taxes restricted to pay debt service on general obligation debt
3,117	Represents certificates of deposit linked to funds loaned under the State's housing loan program
5,051	Represents investments restricted to pay debt service on transportation bonds
<u>\$ 262,769</u>	
Business-type Activities:	
\$3,312,334	Assets of the Community Development Administration, the State Funded Loan programs and business loan programs are restricted for various mortgage loans for low-income housing, loans for local governments' public facilities and loans to small or disadvantaged businesses
495,715	The purpose of the restricted assets is to secure the revenue bonds of the Maryland Water Quality Administration made for waste-water treatment systems and bay restoration.
1,216,176	Restricted assets represent deposits with the U.S. Treasury and amounts due from employers to pay unemployment compensation benefits in accordance with Federal statute
136,263	Restricted assets in the Maryland Lottery and Gaming Control Agency include cash held in separate annuity contracts and coupon bonds for winning lottery payouts, escrow deposits from casino operator license applicants and cash deposits from other gaming license applicants prior to being recognized as revenue
464,018	Cash and investments have been restricted in accordance with revenue bond debt covenants of the Maryland Transportation Authority for completion of capital projects and debt service
<u>87,222</u>	Assets have been restricted by the Maryland Housing Fund to pay possible future claims under insurance for losses on mortgage loans
<u>\$5,711,728</u>	
Component Units:	
\$ 55,279	Restricted assets of higher education include funds held by the trustee for future construction projects and to pay debt service and cash restricted for endowment purposes.
4,564	Restricted assets of Maryland Stadium Authority include cash and investments that relate to revenue bond indentures
<u>2,489</u>	Restricted assets include cash and investments that relate to revenue bond indentures and to restricted project funds for the provision of water supply and waste-water treatment by the Maryland Environmental Service.
<u>\$ 62,332</u>	

8. Interfund Receivables and Payables:

Interfund balances, as of June 30, 2013, consisted of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	\$ 16,084 (a)
	Enterprise Funds –	
	Economic Development Loan Programs	2,935 (b)
	Maryland Lottery and Gaming Control Agency	<u>74,500</u> (c)
		<u>\$93,519</u>
Special Revenue Fund	General Fund	\$55,085 (d)
	Enterprise Funds -	
	Maryland Transportation Authority	<u>70,277</u> (e)
		<u>\$125,362</u>
Enterprise Funds -		
Economic Development Loan Programs	General Fund	\$27,720 (f)
	Non-major governmental funds	21,644 (g)
Unemployment Insurance Program	General Fund	2,271 (f)
Maryland Transportation Authority	Special Revenue Fund	4,437 (h)
Non-major enterprise funds	Enterprise Development Loan Programs	<u>373</u> (i)
		<u>\$ 56,445</u>
Agency Fund -		
Local Income Taxes	General Fund	\$550,000 (j)

The receivable and payable transactions between the governmental funds and the enterprise funds are reported as due from and due to other funds. The receivable and payable transactions between the agency fund and the general fund are reported as accounts receivable from State treasury by the agency fund and due to other funds by the general fund.

The receivable and payable transactions between the Primary Government and Component Units, as of June 30, 2013, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Higher Education Fund	<u>\$ 1,060</u>
Component Units –	Agency Fund –	
Maryland Stadium Authority	Local Transportation Funds and Other Taxes	\$ 3,716
Maryland Technology Development Corp	General Fund	<u>14,250</u>
		<u>\$ 17,966</u>

The receivable and payable transactions between the general fund and component unit are reported as due from component units and due to primary government. The receivable and payable transactions between the component unit and agency fund are reported as due from primary government by the component unit and accounts payable and accrued liabilities by the agency fund.

- (a) The amount represents Transportation Trust Fund revenues transferred to the general fund in July and August, 2013.
- (b) This amount represents payable balances for economic development loan program transfers.
- (c) This amount represents monies collected by the Maryland Lottery and Gaming Control Agency in June, 2013, and paid to the general fund in July, 2013.
- (d) The amount represents income and sales tax subsidies and return of health insurance costs from the general fund.
- (e) The Maryland Transportation Authority collects fees for the special revenue fund. The money will be used to build and maintain special revenue fund infrastructure, structures and other improvements.
- (f) These amounts represent receivable balances from general fund subsidies.
- (g) Bond funds collected by the capital projects fund on behalf of the economic development loan programs.
- (h) The Maryland Transportation Authority receives rent, interest income and fees for services from the special revenue fund.

- (i) The Maryland Housing Fund was overallocated general and administrative expenses by the Department of Housing and Community Development in fiscal year 2013.
- (j) The loans were made in accordance with Section 2-606 of Tax-General Article of the Annotated Code of Maryland from the reserve of unallocated tax revenue that the Comptroller estimates will be claimed and refunded to taxpayers within 3 years of the date that the income tax return was filed. The money will be used to provide funding for public elementary and secondary education and the Maryland Medicaid Programs.

All Interfund balances except for (j) above, are expected to be repaid by June 30, 2014. For (j) above, the General Fund is required to pay to the agency fund \$33,333,000, a year in each of fiscal years 2021 through 2026. The remaining balance is due to pay local income taxes at unspecified dates in the future.

9. Interfund Transfers:

Interfund transfers, for the year ended June 30, 2013, consisted of the following (amounts expressed in thousands).

Transfers In	Transfers Out	Amount
General Fund	Special Revenue Fund	\$ 67,536
	Non-major Governmental Funds	27,409
	Enterprise Funds –	
	Maryland Lottery and Gaming Control Agency	921,762
	Economic Development Loan Programs	6,611
	Non-major Enterprise Funds	500
		<u>\$1,023,818</u>
Special Revenue Fund	General Fund	<u>\$ 101,576</u>
Non-major Governmental Funds	General Fund	\$ 31,997
	Special Revenue Fund	<u>174,278</u>
		<u>\$206,275</u>
Enterprise Funds - Loan Programs	General Fund	\$ 26,303
	Non-major Governmental Funds	123,545
	Non-major Enterprise Funds	<u>1,069</u>
		<u>\$150,917</u>

Transfers are primarily used to 1) transfer revenues from the fund required by statute or budget to collect the revenue to the fund required by statute or budget to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the non-major governmental funds as debt service payments become due, and 3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the non-major governmental funds transferred \$25,918,000, of Program Open Space funds, \$766,000, of interest earned on bonds, and \$725,000, for expenses for bond sales to the general fund.

The Maryland Lottery and Gaming Control Agency transferred revenue in excess of funds allocated to prize awards, casino operators, operating expenses and capital expenditure payments in the amount of \$921,762,000, to the general fund. The general fund transferred \$26,303,000, to support the operations of Enterprise Funds – Loan Programs, and the Enterprise Funds – Loan Programs transferred \$6,611,000, of unused funds to the general fund. Expenditures for capital projects of \$123,545,000, were transferred to Enterprise Funds – Loan Programs.

During the year, the general fund and other governmental funds had expenditures of \$1,203,446,000, and \$160,883,000, respectively, that were for funds provided to supplement revenues and construction costs, respectively, of the higher education component units. The general fund also had net expenditures of \$19,265,000, that were for funds provided to supplement revenues of the Maryland Stadium Authority. The general fund transferred \$20,543,000, to the non-major component unit, the Maryland Technology Development Corporation, for Maryland Stem Cell Research and other operating grants.

10. Capital Assets:

A. Capital Assets, Primary Government:

Capital assets activity by asset classification net of accumulated depreciation, for the year ended June 30, 2013, was as follows (amounts expressed in thousands).

Governmental activities:

Classification	Balance July 1, 2012	Additions	Deletions	Transfers in (out)	Balance June 30, 2013
Capital assets, not depreciated,					
Land and improvements.....	\$ 3,223,988	\$ 42,193	\$ 751	\$ 7,969	\$ 3,273,399
Art and historical treasures.....	9,370				9,370
Construction in progress	2,558,320	944,475	7,984	(574,084)	2,920,727
Total capital assets, not depreciated.....	5,791,678	986,668	8,735	(566,115)	6,203,496
Capital assets, being depreciated,					
Structures and improvements.....	6,477,482	91,544	9,951	132,433	6,691,508
Equipment	2,788,339	163,108	43,583	71,109	2,978,973
Infrastructure.....	19,839,258	550,024	2,406	362,573	20,749,449
Total capital assets, being depreciated	29,105,079	804,676	55,940	566,115	30,419,930
Less accumulated depreciation for,					
Structures and improvements.....	2,823,871	199,032	6,663		3,016,240
Equipment	1,968,282	161,091	41,790		2,087,583
Infrastructure.....	10,608,862	782,754	488		11,391,128
Total accumulated depreciation	15,401,015	1,142,877	48,941		16,494,951
Total capital assets, net.....	\$ 19,495,742	\$ 648,467	\$ 15,734	\$ -	\$ 20,128,475

Business-type activities:

Classification	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not depreciated:				
Land and land improvements.....	\$ 383,687	\$ 3,552		\$ 387,239
Construction in progress	1,007,407	350,312	\$ 140,465	1,217,254
Total capital assets, not depreciated	1,391,094	353,864	140,465	1,604,493
Capital assets, being depreciated:				
Structures and improvements.....	61,516	5,246	786	65,976
Equipment	134,223	6,839	458	140,604
Infrastructure	4,736,642	135,223	28,896	4,842,969
Total capital assets, being depreciated	4,932,381	147,308	30,140	5,049,549
Less: accumulated depreciation:				
Structures and improvements.....	24,259	1,338	387	25,210
Equipment	56,249	30,286	366	86,169
Infrastructure	1,204,395	99,008	18,687	1,284,716
Total accumulated depreciation	1,284,903	130,632	19,440	1,396,095
Total capital assets, net.....	\$ 5,038,572	\$ 370,540	\$ 151,165	\$ 5,257,947

B. Depreciation Expense, Primary Government:

The depreciation expense for the year ended June 30, 2013, for the primary government was charged as follows (amounts expressed in thousands).

Governmental activities:

Function	Amount
General government.....	\$ 42,680
Education	4,779
Human resources.....	10,516
Health and mental hygiene.....	11,041
Environment.....	2,499
Public safety.....	57,483
Housing and community development	51
Natural resources and recreation.....	19,263
Transportation	973,630
Agriculture	18,093
Labor, licensing and regulation.....	480
Judicial	2,362
Total depreciation expense – governmental activities	\$ 1,142,877

Business-type activities:

Function	Amount
MLGCA	\$ 25,404
Transportation Authority	103,743
Maryland Correctional Enterprises	1,480
Economic Development Loan Programs	5
Total depreciation expense – business-type activities.....	\$ 130,632

11. Long-Term Obligations:

A. Governmental Activities:

Changes in governmental activities' long term debt, for the year ended June 30, 2013, were as follows (amounts expressed in thousands).

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds.....	\$ 7,541,102	\$ 1,392,160	\$ 927,460	\$ 8,005,802	\$ 613,979
Transportation Bonds.....	1,562,630	165,000	109,340	1,618,290	130,620
Deferred amounts:					
Issuance premiums.....	805,620	256,944	99,136	963,427	
On refunding	(173,187)	(59,860)	(32,956)	(200,091)	
Total bonds and notes payable	9,736,165	1,754,244	1,102,980	10,387,429	744,599
Other Liabilities:					
Compensated absences.....	338,846	179,202	169,022	349,026	179,360
Self insurance costs.....	332,243	1,237,635	1,225,670	344,208	133,365
Net pension obligation	2,412,207	520,262		2,932,469	
Net other post employment benefits obligation.....	3,700,807	307,194		4,008,001	
Obligations under capital leases.....	755,653	338,324	327,584	766,393	70,635
Obligations under capital leases with component units.....	210,676		23,970	186,706	23,405
Pollution remediation.....	167,891	7,571	1,500	173,962	
Total other liabilities	7,918,323	2,590,188	1,747,746	8,760,765	406,765
Total long-term liabilities - governmental activities	\$ 17,654,488	\$ 4,344,432	\$ 2,850,726	\$ 19,148,194	\$ 1,151,364

General Obligation Bonds –

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, facilities for institutions of higher education and the construction of public schools in political subdivisions. Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts. Bonds are issued and accounted for on a “cash flow” basis rather than a “project” basis and are not sold to specifically fund an enabling act. General obligation bonds are subject to arbitrage regulations. However, there are no major outstanding liabilities in connection with these regulations as of June 30, 2013. Bonds issued after January 1, 1988, are subject to redemption provisions at the option of the State.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, bond premiums, interest subsidy payments from the Federal government, debt service fund loan repayments and general fund and capital projects fund appropriations provide the resources for repayment of general obligation bonds. During fiscal year 2013, the State issued \$1,392,160,000, of general obligations at a premium of \$231,831,000, with related issuance costs of \$5,928,000.

Included in bond issuances were \$348,930,000, to refund certain outstanding general obligation bonds issued between 2005 and 2011. From the refunding bonds and related premium of \$75,181,000, \$423,021,000, was transferred to an escrow account and used to purchase U.S. Government securities. These securities will be used to secure the principal, call premium, and interest related to the refunded bonds. The interest rates on the refunded bonds range from 4.0% to 5.0%. The purpose of the refunding was to realize savings on debt service costs. The aggregate difference in debt service between the refunded debt and the refunding debt is \$28,776,000. The economic gain on the transaction, that is, the difference between the present value of the debt service streams for the refunding debt and refunded debt, is \$24,071,000.

Refunded bonds of \$1,575,050,000, maturing in fiscal years 2015-2023 and callable in fiscal years 2014-2019 were considered defeased as of June 30, 2013. Accordingly, the trust account assets and the liability for the defeased bonds were not included in these financial statements.

General obligation bonds issued and outstanding, as of June 30, 2013, were as follows (amounts expressed in thousands).

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
3/8/01	2004-2016	4.0-5.5 %	\$18,535-\$20,535	\$ 200,000	\$ 58,580
7/26/01	2005-2017	5.0-5.5	17,515 - 20,285	200,000	75,500
11/21/01 (b)	2016		18,098	18,098	18,098
3/21/02 (a)	2003-2017	4.0-5.5	17,320 - 19,765	309,935	74,100
8/15/02 (a)	2003-2018	3.0-5.5	18,525 - 23,055	515,830	103,595
3/6/03	2006-2018	5.0-5.3	40,995 - 49,830	500,000	226,520
8/5/03	2007-2014	5.0	39,575	500,000	39,575
8/10/04	2008-2015	5.0	30,235 - 31,790	400,000	62,025
10/21/04 (a)	2005-2016	5.0	18,495 - 20,160	574,655	57,965
11/30/04 (b)	2020		9,043	9,043	9,043
3/17/05	2006-2015	4.0-5.3	26,480 - 27,805	350,000	54,285
3/17/05 (a)	2006-2015	4.0-5.3	11,955 - 57,215	281,185	69,170
8/11/05	2009-2016	4.3-5.0	30,875 - 34,125	430,000	97,460
3/23/06	2009-2016	4.0-5.0	20,060 - 22,115	280,000	63,240
8/10/06	2011-2017	4.3-5.0	23,980 - 27,860	350,000	103,550
12/20/06 (b)	2022		4,378	4,378	4,378
3/15/07	2010-2017	5.0	22,510 - 26,060	325,000	97,020
8/16/07	2011-2023	5.0	24,400 - 38,265	375,000	308,715
12/18/07 (b)	2023		4,986	4,986	4,986
3/12/08	2011-2016	4.0-5.0	26,140 - 28,820	400,000	82,410
7/28/08	2012-2024	5.0	26,350 - 41,705	415,000	365,300
12/16/08 (b)	2010-2021	1.6	464	5,563	3,709
3/16/09 (f)	2012-2023	4.0-5.0	4,475 - 28,865	199,220	143,125
3/16/09 (g)	2013-2024	2.0-5.0	5,800 - 42,125	225,780	146,835
8/18/09 Ser A	2013-2024	2.0-5.0	10,335 - 32,040	235,000	222,220
8/18/09 Ser B	2013-2024	4.0-5.3	7,845 - 25,775	200,000	183,710
8/18/09 (c)	2025	4.6	50,000	50,000	50,000
11/3/09	2013-2022	5.0	11,780 - 17,575	141,800	130,595
11/3/09 (c)	2023-2025	4.5-4.8	18,400 - 20,400	58,200	58,200
12/16/09 (d)	2025		50,320	50,320	50,320
12/17/09 (b)	2011-2025	1.6	371	5,563	4,450
12/18/09 (a)	2016-2021	2.0-5.0	29,560 - 178,775	602,765	602,765
3/9/10 (c)	2019-2025	4.0-4.6	52,450 - 62,170	400,000	400,000
3/9/10 (a)	2018-2023	3.0-5.0	2,330 - 60,600	195,315	195,315
8/10/10 Ser A	2014-2019	2.0-5.0	17,625 - 41,020	143,335	143,335
8/10/10 Ser B	2014-2022	2.5-5.0	15,400 - 44,765	221,665	221,665

8/10/10 (c)	2023-2026	4.2-4.3	17,960 - 19,575	75,000	75,000
8/10/10 (d)	2026	4.4	45,175	45,175	45,175
12/8/10 (b)	2026	5.0	4,543	4,543	4,543
3/22/2011 (h)	2014-2026	2.0-5.0	1,635 - 28,870	130,770	130,770
3/22/2011 (i)	2014-2026	3.0-5.0	1,875 - 43,505	354,230	320,700
8/5/2011 (h)	2015-2026	2.0-5.0	975 - 29,510	71,730	71,730
8/5/2011 (i)	2015-2027	3.0-5.0	205 - 46,090	418,270	418,270
8/5/2011 (b)	2027	4.2	15,900	15,900	15,900
8/5/2011 (j)	2027	4.2	6,500	6,500	6,500
9/28/2011 (a)	2020	2.0-5.0	30,025 - 61,040	254,915	254,915
3/20/2012 (h)	2027	1.3-5.0	1,050 - 8,530	56,085	56,085
3/20/2012 (i)	2027	3.0-5.0	27,215 - 54,210	543,915	543,915
3/20/2012 (a)	2023	4.0	25,055 - 40,005	138,380	138,380
8/14/2012 (h)	2016-2028	2.0-5.0	70-9,290	26,340	26,340
8/14/2012 (i)	2016-2028	2.25-5.0	3,650-48,770	478,660	478,660
8/14/2012 (e)	2016	0.4	23,000	23,000	23,000
8/14/2012 (b)	2028	2.8	15,230	15,230	15,230
8/14/2012 (a)	2019-2021	4.5	22,905-105,425	183,795	183,795
3/15/2013 (i)	2016-2028	3.0-5.0	28,415-49,105	500,000	500,000
3/15/2013 (a)	2018-2022	4.5	4,215-66,135	165,135	165,135
Totals				\$ 12,685,209	\$ 8,005,802

(a) Includes refunding debt

(b) Includes Qualified Zone Academy Bonds for which the purchaser may receive Federal tax credits each year the bonds are outstanding

(c) Includes federally taxable Build America Bonds for which the State receives a subsidy payment from the Federal government equal to 35% of interest payments

(d) Qualified School Construction Bonds for which the purchaser receives Federal tax credits each year the bonds are outstanding

(e) Taxable Bond Sale

(f) Institutional Bond Sale

(g) Retail Bond Sale

(h) Negotiated Bond Sale

(i) Competitive Bond Sale

(j) Qualified Energy Construction Bond Sale

General obligation bonds authorized, but unissued, as of June 30, 2013, totaled \$ 2,360,643,000.

As of June 30, 2013, general obligation debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2014.....	\$ 613,979	\$ 348,709
2015.....	657,705	320,803
2016.....	753,272	289,087
2017.....	726,464	252,895
2018.....	717,739	218,592
2019 - 2023	3,015,988	633,209
2024 - 2028	<u>1,520,655</u>	<u>121,121</u>
Total	\$ 8,005,802	\$ 2,184,416

Subsequent to June 30, 2013, on August 6, 2013, general obligation bonds aggregating \$475,000,000, were issued for capital improvements. The general obligation bonds have interest rates ranging from 1.0% to 5.0% and mature through 2029.

Transportation Bonds –

Transportation bonds outstanding as of June 30, 2013, were as follows (amount expressed in thousands).

	Outstanding
Consolidated Transportation Bonds – 2.0% to 5.5%, due serially through 2028 for State transportation activity	\$1,438,755
Consolidated Transportation Bonds, Refunding – 5%, due serially through 2019 for State transportation activity	<u>179,535</u>
Total	<u>\$1,618,290</u>

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport, rail, or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed \$2,600,000,000, through June 30, 2013, and thereafter. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2013, was \$1,913,290,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2013, was \$1,618,290,000. Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute, a portion of the corporate income tax and a portion of the State sales tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payments.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (1) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (2) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

The 2012 session of the General Assembly established a maximum outstanding principal amount of \$889,800,000, as of June 30, 2013, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond (tax-exempt debt backed by annual federal appropriations for federal-aid transportation projects). This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department. As of June 30, 2013, the Department's nontraditional debt outstanding was \$805,396,000, and was reported as obligations under capital leases and includes funds held by the bond trustee under these agreements.

Arbitrage regulations are applicable to the transportation bonds payable. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2013.

During the year, the Department issued Consolidated Transportation Bonds in the amount of \$165,000,000, with a net premium of \$25,113,000, with maturities ranging from February 2016 to February 2028, and with interest rates ranging from 2.0% to 5.0%.

As of June 30, 2013, Department bond debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands).

Years Ending June 30,	<u>Consolidated Transportation Bonds</u>	
	Principal	Interest
2014.....	\$ 130,620	\$ 72,183
2015.....	152,415	66,370
2016.....	170,150	59,298
2017.....	186,325	51,069
2018.....	178,510	42,253
2019-2023	602,130	117,499
2024-2028	<u>198,140</u>	<u>18,702</u>
Total	\$1,618,290	\$427,374

Obligations Under Capital Leases –

Obligations under capital leases as of June 30, 2013, bore interest at annual rates ranging from 0.1% to 6.7%. Capital lease obligations with third parties in fiscal year 2013 increased by \$338,325,000, for master equipment and building leases entered into by the general fund and include leases for various transportation related projects entered into by the Maryland Department of Transportation. The additions for transportation leases in the amount of \$335,141,000, are related to new debt issued for certain projects (Airport Facilities Projects) located at BWI Thurgood Marshall Airport. The capital leases with component units include the general fund's capital leases with the Maryland Stadium Authority, which are being paid with the net proceeds transferred from certain lottery games. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2013 (amounts expressed in thousands).

Years Ending June 30,	<u>Capital Lease Obligations with</u>	
	Third Parties	Component Units
2014.....	\$ 104,314	\$ 31,770
2015.....	92,994	30,456
2016.....	85,724	25,403
2017.....	81,888	24,043
2018.....	78,738	23,965
2019-2024	373,553	77,245
2024-2028	282,225	22,642
2029-2033	<u>131,686</u>	
Total future minimum payments.....	1,231,122	235,524
Less: Amount representing interest.....	309,066	47,624
Less: Restricted cash and investments.....	<u>155,663</u>	<u>1,194</u>
Present value of net minimum payments.....	\$ 766,393	\$186,706

The reduction shown for restricted cash and investments in the amounts of \$155,663,000, and \$1,194,000, is monies held by the bond trustee to be used primarily for construction expenditures.

The assets acquired through capital leases were as follows (amounts expressed in thousands).

Asset	<u>Third Parties</u>
	Amount
Construction in progress	\$ 134,861
Land and improvements.....	19,103
Buildings and improvements	1,183,659
Machinery and equipment.....	283,454
Infrastructure	<u>329,334</u>
Total acquired assets	1,950,411
Less: Accumulated depreciation	<u>732,038</u>
Total capital assets - net	\$1,218,373

Pollution Remediation Obligations –

The State has recognized a pollution remediation obligation on the statement of net position for governmental activities. A pollution remediation obligation is a liability which addresses the current or potential detrimental effects of existing pollution and may include pre-cleanup activities (site assessment, feasibility study), cleanup activities (neutralization, containment, removal and disposal, site restoration), oversight and enforcement and post remediation monitoring.

Obligating events initiate the recognition of a pollution remediation liability. These events include any of the following.

- (a) There is an imminent danger to the public.
- (b) The State is in violation of a related permit or license.
- (c) The State is identified as a responsible party or potentially responsible party (PRP) by a regulator.
- (d) The State is named or has evidence that it will be named in a lawsuit.
- (e) The State commences, or legally obligates itself to commence, pollution remediation activities.

The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The liability is recognized as it becomes estimable. In some cases, this may be at inception. In other cases, components of a liability (for example, legal services, site investigation or required post remediation monitoring) are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for sufficiency when various benchmarks occur, such as receipt of an administrative order, participation as a responsible party or PRP in a site assessment, completion of a corrective measures feasibility study, issuance of an authorization to proceed, and as remediation is implemented and monitored.

Measurement of the liability is based on the current value of outlays expected to be incurred using the expected cash flow technique. This technique measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts – the estimated mean or average. Expected recoveries reduce the pollution remediation expense.

The pollution remediation estimated liability is \$173,962,000, with no estimated recoveries from third parties to reduce the liability. Included in this liability are cost estimates for site monitoring and repair, excavation of road and infrastructure and replacement of buildings as a result of site contaminations by hazardous materials under Federal and State law in the amount of \$164,862,000. In these cases, either the State has been named in a lawsuit by a State regulator or the State legally obligated itself under the Environmental Article, Section 7-201, of the Annotated Code of Maryland.

The estimated liability also includes \$9,100,000, for the clean-up of an illegal tire dump for which the State is legally obligated under the Environmental Article, Section 9-2 of the Annotated Code of Maryland.

The cost estimates and assumptions for the pollution remediation due to site contamination from hazardous materials are based on engineering design estimates. The cost estimates and assumptions for the tire dump clean-up are based on estimated unit cost of \$734/ton to \$830/ton based on historical data, fuel costs, specific site factors and oversight costs.

For the governmental activities, compensated absences, self insurance, net pension obligations, net other post-employment benefits obligations, obligations under capital leases, and pollution remediation obligations are generally liquidated by the general or special revenue fund as applicable.

B. Long Term Obligations – Business-type Activities:

Changes in long-term obligations for business-type activities as of June 30, 2013, were as follows (amounts expressed in thousands).

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Bonds Payable:					
Revenue bonds payable.....	<u>\$6,377,228</u>	<u>\$289,027</u>	<u>\$445,383</u>	<u>\$6,220,872</u>	<u>\$311,525</u>
Other Liabilities:					
Lottery prizes	63,860	4,375	17,063	51,172	13,389
Escrow deposits	35,344	22,798	20,665	37,477	10,662
Rebate liability	7,944	410	6,955	1,399	
Compensated absences.....	12,559	6,974	6,462	13,071	3,066
Self insurance costs	11,851	3,470	2,971	12,350	1,914
Obligation under capital leases	<u>56,212</u>		<u>25,188</u>	<u>31,024</u>	<u>14,111</u>
Total other liabilities	<u>187,770</u>	<u>38,027</u>	<u>79,304</u>	<u>146,493</u>	<u>43,142</u>
Total long-term liabilities – business type activities.....	\$6,564,998	\$327,054	\$524,687	\$6,367,365	\$354,667

Debt service requirements for business-type activities' notes payable and revenue bonds to maturity were as follows (amounts expressed in thousands).

Year Ended June 30,	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 173,765	\$ 102,658	\$ 13,470	\$ 3,760	\$ 124,290	\$ 154,281
2015	94,405	97,211	6,560	3,192	117,993	149,247
2016	90,635	94,001	7,185	2,910	127,757	143,787
2017	91,290	90,652	4,550	2,655	132,925	137,342
2018	105,295	87,282	7,770	2,440	147,466	104,388
2019 - 2023	374,690	387,888	35,975	7,157	536,728	558,147
2024 - 2028	356,310	309,112	7,685	536	475,095	446,914
2029 - 2033	456,565	236,445			502,309	333,413
2034 - 2038	527,170	157,485			498,100	214,367
2039 - 2043	311,480	72,700			491,575	82,143
2044 - 2048	135,970	16,830			149,009	9,357
2049 - 2053	33,915	3,076				
2054 - 2058	<u>1,650</u>	<u>61</u>				
Total	2,753,140	1,655,401	83,195	22,650	3,303,247	2,333,386
Discounts, premiums and other deferred costs	13,186		1,990		62,328	
Total	\$ 2,766,326	\$ 1,655,401	\$ 85,185	\$ 22,650	\$ 3,365,575	\$ 2,333,386

Community Development Administration (Administration) – Revenue Bonds:

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, proceeds of which were used for various mortgage loan programs. Assets aggregating approximately \$3,311,864,000, and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 0.2% to 6.8%, with the bonds maturing serially through February 2054. The principal amount outstanding as of June 30, 2013, was \$2,766,326,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. During fiscal year 2013, the Administration issued \$149,571,000, of revenue bonds with interest rates ranging from .3% to 4.4% and maturing serially through February 2054.

Subsequent to June 30, 2013, the Administration issued a total of \$123,343,000, and redeemed a total of \$91,610,000, revenue bonds.

Interest Rate Swaps:

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Administration entered into interest rate swaps in connection with the variable rate revenue bonds totaling \$255,885,000. The intention of the swaps was to effectively change the Administration's variable interest rate on the bonds to fixed rates.

Terms. The bonds and the related swap agreements mature from September 1, 2025 through September 1, 2043, and the swaps' notional amount of \$255,885,000, matches the amount of the variable rate bonds. Under the swap agreements, the Administration pays the counterparty a fixed payment of from 3.7% to 4.8% and receives a variable payment computed as either 64% of the London Interbank Offered Rate (LIBOR) plus .2% or .3%. Conversely, the bonds' variable rate is based on the Securities Industry and Financial Markets Association Rate.

Credit risk. The fair value of the swaps represents the Administration's credit exposure to each counterparty as of June 30, 2013. The fair value of three swaps with one counterparty is (\$7,165,000), the fair value of one swap with a second counterparty is (\$4,146,000), the fair value of three swaps with a third counterparty is (\$14,248,000), and the fair value of one swap with a fourth counterparty is (\$1,506,000). Therefore, the Administration is not exposed to credit risk as of June 30, 2013, because the swaps have a negative fair value. However, should the valuation of the swap change and the fair value turn positive, the Administration would be exposed to credit risk in the amount of the swap's fair value. The first counterparty is rated A by Standard & Poor's and Aa by Moody's; the second counterparty is rated A by Standard & Poor's, Moody's and Fitch; the third counterparty is rated Aa by Moody's and AAA by Standard & Poor's; and the fourth counterparty is rated Aa by Moody's and AA by Fitch. Standard & Poor's revised the third counterparty's rating to A after fiscal year-end. To mitigate the potential for credit risk, if the counterparties' credit quality falls below A, the fair value of the swaps will be fully collateralized by the counterparties.

Basis risk. The swaps would expose the Administration to basis risk should the relationship between LIBOR and the Security Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Termination risk. The Administration or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. If a swap is terminated, the underlying variable rate bonds may be exposed to rising interest rates. If at the time of such termination a swap has a negative fair value, the Administration would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Swap payments and associated debt. Using rates as of June 30, 2013, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (amounts expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ended June 30,	Hedged Variable Rate Bonds		Interest Rate	
	Principal	Interest	Swaps, Net	Total
2014	\$ 4,985	\$ 233	\$ 9,861	\$ 15,079
2015		168	9,501	9,669
2016		169	9,171	9,340
2017		168	8,724	8,892
2018	2,000	168	8,273	10,441
2019 - 2023	10,075	814	35,608	46,497
2024 - 2028	12,895	774	29,961	43,630
2029 - 2033	108,895	624	24,369	133,888
2034 - 2038	75,185	266	12,572	88,023
2039 - 2043	29,585	75	1,942	31,602
2044 - 2048	12,265	3	7	12,275
Total	\$ 255,885	\$ 3,462	\$ 149,989	\$ 409,336

Fair value. Because interest rates have generally decreased since execution of the swaps, the swaps have a fair value of (\$27,065,000) as of June 30, 2013. The swap's fair value may be countered by a decrease in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the Administration's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease.

The table below summarizes the total fair values for the Administration's interest rate swaps as of June 30, 2012 and 2013, and the changes in fair values for the year ended June 30, 2013 (amounts expressed in thousands).

	Total Fair Value at June 30, 2012	Total Fair Value at June 30, 2013	Change in Fair Value For the Period
Interest rate swaps:			
Cash flow hedges.....	\$(35,862)	\$(27,065)	\$8,797

The fair value balances of derivative instruments (interest rate swaps) outstanding as of June 30, 2013, classified by type, and the changes in fair value as presented on the financial statements for the year ended June 30, 2013, are as follows (amounts expressed in thousands).

	Change in Fair Value		Fair Value at June 30, 2013		Outstanding Notional Amounts
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay fixed interest rate swaps.....	Deferred outflow	\$8,797	Debt	\$(27,065)	\$255,885

The fair value of the swaps is based on market value and is affirmed by an independent advisor whose valuation method and assumptions are in accordance with accounting guidance issued by GASB. The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swaps.

As of June 30, 2013, all of the Administration's swaps meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

Maryland Water Quality Financing Administration (Administration) – Revenue Bonds:

The Administration, an agency of the Department of Environment, has issued revenue bonds for providing loans and grants. Interest rates range from 3.3% to 4.1%, payable semiannually, with annual installments from \$1,235,000, to \$10,530,000, to March 1, 2025. The principal amount outstanding as of June 30, 2013, was \$85,185,000. These bonds were payable solely from the revenue, money or property of the Administration.

Maryland Transportation Authority Bonds:

Bonds outstanding as of June 30, 2013, are as follows (amounts expressed in thousands).

Series 1992 Capital appreciation TEST refunding and financing revenue bonds for the Authority's Transportation Facilities Projects maturing in annual installments of original principal ranging from \$2,647 to \$3,000 from July 1, 2013, to July 1, 2015, with approximate yields to maturity ranging at 6.4% and an accreted amount.....	\$ 8,465
BWI Consolidated Car Rental Facility Revenue bonds, Series 2002, maturing in annual installments ranging from \$2,545 to \$8,505 from July 1, 2013, to July 1, 2032, with interest rates ranging from 2.7% to 6.7%, payable semiannually	99,040
BWI Parking Garage Revenue Bonds, Series 2002 A and B, maturing in annual installments ranging from \$10,845 to \$16,455 from March 1, 2014, to March 1, 2027, with interest rates ranging from 4.0% to 5.0% payable semiannually	182,025
BWI Facilities Projects Bonds, Series 2003, maturing in an annual installment of \$11,200 on July 1, 2013, with a current variable rate of .06%, payable semiannually	11,200
WMATA Metrorail Parking Projects Bonds, Series 2004, maturing in annual installments ranging from \$1,380 to \$2,780 from July 1, 2013, to July 1, 2028, with interest rates ranging from 3.0% to 5.0%, payable semiannually	31,860
Series 2004 Revenue bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$7,105 to \$15,235 from July 1, 2013, to July 1, 2032, with interest rates ranging from 5.0% to 5.3% payable semiannually	82,725
Calvert Street Parking Project Revenue bonds, Series 2005, maturing in annual installments ranging from \$695 to \$1,415 from July 1, 2013, to July 1, 2032, with interest rates ranging from 3.3% to 4.4% payable semiannually	19,995
Grant and Revenue Anticipation Bonds, Series 2007 (GARVEE bonds), maturing in annual installments ranging from \$27,015 to \$34,390 from March 1, 2014, to March 1, 2019, with an interest rate of 4.0% payable semiannually to finance the Intercounty Connector Highway Project.....	183,445
Series 2007 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$1,070 to \$12,685 from July 1, 2013, to July 1, 2041, with interest rates ranging from 4.0% to 5.0% payable semiannually.....	298,975
Series 2008 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$9,245 to \$31,070 from July 1, 2013, to July 1, 2041, with interest rates ranging from 4.8% to 5.1% payable semiannually.....	564,420
Series 2008 A Revolving loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA) for the Intercounty Connector Project with a fixed interest rate at 2.6% and an accreted amount.....	397,497
Series 2009 Revenue Bonds, for construction and improvements of Authority's Transportation Facilities projects, maturing in annual installments of \$10,335 to \$14,570 from July 1, 2016 to July 1, 2043, with interest rates ranging from 3.0% to 5.9% payable semiannually	549,385
Series 2010 Revenue Bonds, for construction and improvements of the Authority's Transportation Facilities projects, maturing in annual installments ranging from \$4,535 to \$5,520 from July 1, 2015 to July 1, 2041, with interest rates ranging from 3.0% to 5.8% payable semiannually	326,435
Grant and Revenue Anticipation Bonds, Series 2008 (GARVEE bonds), maturing in annual installments ranging from \$36,245 to \$48,865 from March 1, 2014, to March 1, 2020, with an interest rate of 4.3% payable semiannually	295,590
Passenger Facility Charge Revenue Bonds, Series 2012A, maturing in annual installments of \$1,835 to \$3,780 from June 1, 2014 to June 1, 2032, with interest rates ranging from 0.7% to 4.3% payable semiannually	49,110
Series 2012 Revenue Refunding Bonds maturing in annual installments of \$3,615 to \$6,225, from July 1, 2016 to July 1, 2029, with interest rates ranging from 3.0% to 5.0% payable semiannually	67,610
Passenger Facility Charge Revenue Bonds, Series 2012B, maturing in annual installments of \$5,460 to \$7,765 from June 1, 2014 to June 1, 2027, with interest rates ranging from 0.6% to 2.7% payable semiannually	92,070
Variable Passenger Facility Charge Revenue Bonds, Series 2012C, via sinking fund payments of \$43,400 through July 1, 2032, with a current variable rate of .09%	43,400
Unauthorized premium and deferred costs	62,328
Total	<u>\$3,365,575</u>

Revenue bonds are payable solely from the revenues of the transportation facilities projects. Capital assets constructed from BWI facilities, WMATA Metrorail and the Calvert Street Parking Project are not capital assets of the Authority. Capital appreciation bonds payable and TIFIA bonds included accreted amounts of \$6,161,000, and \$13,519,000, respectively, as of June 30, 2013.

Grant and Revenue Anticipation Bonds (GARVEE Bonds) are payable from a portion of Maryland's future Federal highway aid and other pledged monies. These bonds are not general obligations of the Authority or legal obligations of the Maryland Department of Transportation or the State.

During the year ended June 30, 2013, the Authority issued \$92,070,000 of BWI Thurgood Marshall Airport (Qualified Airport Bonds – AMT) Series 2012B, with interest rates ranging from .06% to 2.7% maturing serially through June, 2027, to finance a portion of the costs of certain projects (Airport Facilities Projects) located at BWI Thurgood Marshall Airport. The Authority also issued \$43,400,000 of BWI Thurgood Marshall Airport (Qualified Airport Bonds – AMT) Series 2012C at a current variable rate of .09% maturing serially through June 2032 to finance a portion of the costs of certain projects (Airport Facilities Projects) located at BWI Thurgood Marshall Airport.

Obligations Under Capital Leases –

Obligations of business-type activities under capital leases as of June 30, 2013, were as follows (amounts expressed in thousands).

Years Ending June 30,	MLGCA
2014.....	\$ 14,111
2015.....	9,287
2016.....	<u>8,680</u>
Total minimum lease payments.....	32,078
Less: Imputed interest.....	<u>1,054</u>
Present value of net minimum lease payments.....	\$ 31,024

The MLGCA has entered into lease agreements for certain on-line gaming system equipment and a computer system. As of June 30, 2013, assets acquired under leases and the related accumulated amortization totaled \$68,286,000, and \$44,718,000, respectively, and were included in capital assets in the Statement of Net Position, Business-type Activities.

C. Notes and Revenue Bonds Payable – Component Units:

Higher Education –

Certain State higher education institutions have issued revenue bonds for the acquisition, renovation, and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. Interest rates range from 2.0%-6.1% on the revenue bonds.

Debt service requirements to maturity were as follows (amounts expressed in thousands).

Year Ending June 30,	Notes Payable and Other Long-Term Debt		Revenue Bonds	
	Principal	Interest	Principal	Interest
2014.....	\$ 8,910	\$ 1,256	\$ 76,455	\$ 50,349
2015.....	5,871	1,149	80,965	47,188
2016.....	5,374	1,033	84,895	43,602
2017.....	4,267	923	84,095	39,753
2018.....	3,148	1,231	83,160	36,077
2019-2023	38,453	5,969	376,810	127,209
2024-2028	13,060	74	256,875	57,404
2029-2033			107,585	9,380
2034-2038			<u>1,155</u>	<u>139</u>
Total	79,083	11,635	1,151,995	411,101
Accumulated accreted interest and other deferred cost			<u>43,105</u>	
Total	\$ 79,083	\$ 11,635	\$ 1,195,100	\$ 411,101

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

As of June 30, 2013, higher education institutions had defeased debt outstanding of \$147,485,000, resulting from the refunding of previously issued debt. Accordingly, the trust account assets and the liability for the defeased bonds were not included in these financial statements.

As of June 30, 2013, cash and investments were held by the trustees for the higher education institutions in the amount of \$51,341,000, for the University System of Maryland (System), \$124,000, for St. Mary's College of Maryland, and \$3,764,000, for Morgan State University.

On October 6, 2012, University System of Maryland issued \$115,000,000, of 2012 Series C Bonds and \$54,005,000, of 2012 Refunding Series D Bonds at interest rates ranging from 2.0% to 5.0% maturing from 2014 to 2032 for refinancing, construction, and university facilities renewal. The reduction in future debt service was \$6,336,000. The economic gain on the transaction was \$5,282,000.

Obligations under capital leases of \$15,186,000, existed as of June 30, 2013, and bore interest at annual rates ranging from 1.0% to 6.8%.

Maryland Stadium Authority (Authority) – Revenue Bonds:

Debt service requirements to maturity for Maryland Stadium Authority revenue bonds and notes payable were as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2014.....	\$ 34,259	\$ 9,281
2015.....	34,575	8,039
2016.....	20,600	6,883
2017.....	20,094	6,030
2018.....	20,913	5,134
2019-2023	69,785	13,394
2024-2026	<u>20,275</u>	<u>2,367</u>
Total	220,501	51,128
Unamortized premium net of unamortized discount	<u>8,244</u>	
Total	<u>\$228,745</u>	<u>\$51,128</u>

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, convention center expansions in Baltimore City and the Town of Ocean City and certain other facilities. The outstanding debt is to be repaid through capital lease payments from the State, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

As of June 30, 2013, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands).

Facility	Outstanding Amount	Interest Rates	Maturity Date
Baseball Stadium	\$ 98,519	0.8% to 6.1%	July 1, 2022
Football Stadium	62,940	Variable	March 1, 2026
Baltimore City Convention Center	9,290	Variable	December 15, 2014
Ocean City Convention Center	4,085	2.3%	December 15, 2015
Hippodrome Performing Arts Center	18,547	0.7% to 2.5%	June 15, 2022
Montgomery County Conference Center	15,567	4.0% to 5.0%	June 15, 2024
Camden Station	6,865	3.0% to 5.2%	December 15, 2024
Camden Yards Complex	<u>12,932</u>	1.3% to 5.6%	January 1, 2018
Total	<u>\$ 228,745</u>		

12. Insurance:

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, worker's compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Non-incremental claims adjustment expenses have been included as part of the liability for claims and adjustments for the general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The worker's compensation and property and casualty costs are based upon separately determined actuarial valuations for the following fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during the fiscal year 2013 were as follows (amounts expressed in thousands).

	Beginning- of- Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End-of- Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability	\$ 16,717	\$ 9,079	\$ 9,152	\$ 16,644	\$ 7,075
Employee health benefits	91,450	1,172,197	1,164,147	99,500	99,500
Workers' compensation	224,076	56,359	52,371	228,064	26,790
Governmental activities self-insurance costs	332,243	1,237,635	1,225,670	344,208	133,365
Business-type activities workers' compensation	11,851	3,468	2,969	12,350	1,914
Component units workers' compensation	35,882	6,981	7,034	35,829	5,553
Total self-insurance costs	\$379,976	\$1,248,084	\$1,235,673	\$392,387	\$140,832

As of June 30, 2013, the Program held \$342,060,000, in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 2012 were as follows (amounts expressed in thousands).

	Beginning- of- Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End-of- Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability	\$ 15,157	\$ 11,414	\$ 9,854	\$ 16,717	\$ 7,105
Employee health benefits	88,889	1,215,484	1,212,923	91,450	91,450
Workers' compensation	231,092	44,761	51,777	224,076	26,542
Governmental activities self-insurance costs	335,138	1,271,659	1,274,554	332,243	125,097
Business-type activities workers' compensation	11,347	2,705	2,201	11,851	1,837
Component units workers' compensation	34,249	8,707	7,074	35,882	5,561
Total self-insurance costs	\$380,734	\$1,283,071	\$1,283,829	\$379,976	\$132,495

As of June 30, 2012, the Program held \$230,113,000, in cash and investments designated for payments of these claims.

13. Fund Equity:

The unrestricted deficit for governmental activities on the government-wide statement of net position is \$10,915,188,000. A portion of the deficit results from the State incurring a debt for the purposes of capital acquisition and construction on behalf of local governments and private organizations. Since the incurrence of this debt does not result in capital assets of the State, the debt is not reflected in the net position category, net investment in capital assets, but rather in the unrestricted net position category. As of June 30, 2013, the State had reported outstanding general obligation bonds and capital leases applicable to these non-State projects of \$5,175,611,000. Without State financing for these capital assets, the State would have reported an unrestricted deficit for governmental activities in the amount of \$5,739,577,000.

The statement of net position for the primary government reported \$2,508,802,000, of restricted net position, including \$240,699,000, restricted by enabling legislation.

Detail of the fund balance categories and classification shown in the aggregate on the governmental funds balance sheet is as follows (amounts in thousands).

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable - Prepaid items, inventories				
and long-term loans and notes receivable.....	\$ 493,431	\$ 183,355		\$ 676,786
Restricted:				
Debt service			\$ 240,699	240,699
Other purposes	187	561		748
Committed:				
State Reserve Fund	720,198			720,198
Maryland Health Insurance Plan.....	157,616			157,616
AIDS Drug Assistance	48,978			48,978
Community Health Resource Commission.....	20,228			20,228
Other health and mental hygiene	61,231			61,231
Education	25,513			25,513
Aid for higher education	34,075			34,075
Human resources.....	13,374			13,374
Public safety	48,498			48,498
Transportation		119,818		119,818
Mortgage Services Settlement Fund	55,442			55,442
Public Utility Customer Investment Fund	75,929			75,929
Other judicial	23,823			23,823
Labor, licensing and regulation.....	17,232			17,232
Watershed services.....	19,599			19,599
Waterway improvements.....	8,462			8,462
Ocean beach replenishment	7,704			7,704
Other natural resources and recreation	22,394			22,394
Housing and community development	3,762			3,762
Environment.....	31,235			31,235
Agriculture	10,074			10,074
Business and economic development	28,034			28,034
Capital projects			543,900	543,900
Other purposes	55,076			55,076
Unassigned	(622,860)		(353,964)	(976,824)
Total fund balances	\$ 1,359,235	\$ 303,734	\$ 430,635	\$ 2,093,604

A portion of the general fund's committed fund balance, in the amount of \$720,198,000, as of June 30, 2013, includes the State Reserve Fund, which consists primarily of the Revenue Stabilization Account with a balance of \$700,435,000. The

Revenue Stabilization Account is authorized in Section 7-311 of the State Finance and Procurement Article, Annotated Code of Maryland. Appropriations are required to the Revenue Stabilization Account when the unappropriated general fund surplus of the second preceding fiscal year exceeds \$10,000,000. Appropriations are also required in years when the account balance is less than 7.5% of estimated general fund revenues. If the account balance is at least 3% but less than 7.5%, an appropriation of \$50,000,000, or whatever lesser amount is necessary to bring the account balance to 7.5% of estimated general fund revenues is required; if the account balance is less than 3%, the required appropriation is \$100,000,000.

Transfer of funds from the Revenue Stabilization Account may occur only to support the operation of State government on a temporary basis and only in amounts that are not otherwise offset by reductions made by the General Assembly in the general fund appropriations. These circumstances are not expected to occur routinely.

Transfer of funds from the account that does not result in a balance below 5% of estimated general fund revenues must be authorized by (1) an act of the General Assembly or (2) a specific provision of the State budget bill as enacted. Transfers resulting in a balance below 5% must be authorized by an act of the General Assembly other than the budget bill. The use of a budget amendment for fund transfer is prohibited.

The unrestricted deficit in net position in other enterprise funds of \$11,844,000, for the Economic Development Insurance Programs occurred because of restrictions for insuring mortgages.

14. Segment Information:

The State's Economic Development Loan Program contains two separately identifiable activities that have separately issued revenue bonds outstanding; housing loans of the Community Development Administration and water quality loans and grants of the Maryland Water Quality Administration.

The Community Development Administration (CDA) has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. The assets of the loan program and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. The bond indentures require the CDA to separately account for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

The Maryland Water Quality Administration has issued revenue bonds to encourage capital investment for wastewater treatment systems and bay restoration. These bonds are payable solely from, and secured by, the revenue, money or property of the Maryland Water Quality Administration. The bond indentures require separate accounting for the identifiable activity's revenues, expenses, gains and losses, assets, and liabilities.

Summary financial information for the two loan programs is presented below:

Condensed Statement of Net Position As of June 30, 2013

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Assets:		
Current restricted assets	\$ 715,718	\$ 64,543
Non-current restricted assets	2,596,146	431,172
Total assets	3,311,864	495,715
Liabilities:		
Current liabilities	262,073	14,596
Non-current liabilities	2,609,856	72,932
Total liabilities	2,871,929	87,528
Net Position:		
Restricted	439,935	408,187
Total net position	\$ 439,935	\$ 408,187

Condensed Statement of Revenues, Expenses and Changes in Net Position For The Year Ended June 30, 2013

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Operating income (expenses):		
Interest on loan income.....	\$ 120,476	\$ 6,351
Other operating revenues	6,585	
Other operating expenses	(58,542)	
Operating income.....	68,519	6,351
Non-operating revenues (expenses)	(112,950)	(56,282)
Change in net position	(44,431)	(49,931)
Beginning net position	484,366	458,118
Ending net position	\$ 439,935	\$ 408,187

Condensed Statement of Cash Flows For The Year Ended June 30, 2013

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Net cash from:		
Operating activities	\$ 282,911	\$ 61,878
Non-capital financing activities	(283,460)	(69,760)
Investing activities	9,480	7,898
Beginning cash and cash equivalents.....	484,343	
Ending cash and cash equivalents.....	\$ 493,274	\$ 16

15. Retirement Benefits:

Maryland State Retirement and Pension System (System):

The State is a sole employer in the cost-sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of 151 participating political subdivisions or other entities within the State.

The System is made up of two cost sharing pools: The “State Pool” and the “Municipal Pool”. Neither pool participates in the liabilities of the other. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. The non-state entities’ only liability is to make the contribution determined by the System. Retirement benefits are paid from the System’s pooled assets rather than from assets relating to a particular plan participant. If the required contribution of municipal pool members is insufficient to fund the actuarial liabilities of the pool, the contribution is required to be revised. Remaining members of the municipal pool are required to make the payment of benefits to all employees vested with the pool. The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits if the municipal pool is unable to pay benefits. The System is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. The System is accounted for as a single plan as defined by the codification of the Governmental Accounting Standards Board (GASB) for accounting for defined benefit pension plans.

The System prepares a separately audited Comprehensive Annual Financial Report, which can be obtained from the Maryland State Retirement and Pension System, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202-1600.

Plan Description:

The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and consists of several plans which are managed by the System's Board of Trustees. All State employees and employees of participating entities are covered by the plans.

"Retirement System" – retirement programs for substantially all state employees, teachers, State Police and judges who are not members of the State Pension System.

"Pension System" – retirement programs for employees and teachers hired after January 1, 1980, and prior employees who elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. For participants enrolled prior to July 1, 2011, vesting occurs after five years of service. A member terminating employment before attaining retirement age, but after completing five years of service becomes eligible for a vested retirement allowance provided the member does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age of 62 with five years of service, or after completing 30 years of service credit, regardless of age. State Police members enrolled prior to July 1, 2011, may retire with full benefits after attaining age 50, or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50, or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System members is equal to $1/55$ (1.8%) of the member's highest three-year average final salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. A member of the Pension System enrolled prior to July 1, 2011, will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.8% of the highest three-consecutive year average final salary multiplied by the number of years of service credit after June 30, 1998. The annual benefit for a Pension System member who is employed by a participating governmental unit that does not provide enhanced pension benefits is equal to 0.8% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security Integration Level base. A member of either type of pension system enrolled prior to July 1, 2011, may retire with reduced benefits after attaining age 55 and completing 15 years of service.

For new Pension System members hired on or after July 1, 2011, benefit reforms enacted during the 2011 Legislative Session establish the pension benefit multiplier at 1.5% rather than 1.8%, calculate average final compensation based on the five highest consecutive years of service rather than the three highest, and allow vesting after ten years of eligible service rather than five years.

The annual retirement allowance for a State Police member is equal to 2.55% of the member's highest three-year average final salary multiplied by each year of service and may not exceed 71.4% of member's three years average final compensation. The annual retirement allowance for a member of the Law Enforcement Officers Pension System (LEOPS) is 2.0% of the member's highest three-consecutive year average final salary (AFC) multiplied by each year of service up to a maximum of 30 years plus 1.0% AFC of accumulated credible service in excess of 30 years. Neither the State Police Retirement System nor Law Enforcement Officers Pension System provide for an early retirement. Other reforms similar to those enacted for System employees and teachers were enacted for other systems in the State Pool.

Funding Policy:

In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates and the actuarial accrued liability are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' fixed percentage of their regular salaries and wages, 7% or 5%, depending on the retirement plan selected. Under the 2011 Pension Reforms, members of the Pension System are required to contribute to the System 7% of their regular salaries and wages. Members of the Pension System who are employed by a participating government that does not provide enhanced pension benefits are required to contribute to the System 5% of the regular salaries and wages that exceed the Social Security wage base. State Police members are required to contribute 8% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 7% of earnable compensation. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the General Assembly of the State of Maryland. Effective July 1, 2002, State law provides that the contribution rates may be more or less than the actuarially determined rates for the Employees' Retirement and Pension Systems and the Teachers' Retirement and Pension Systems. Contributions to these Systems are based on the Modified Corridor Funding Method which establishes a budgetary contribution rate. As initially established, this method effectively maintained the contribution rate in effect for the Teacher's and Employees' combined systems during the preceding fiscal year (as adjusted for any legislative changes in benefit structure) as long as such systems remain between 90 percent and 110 percent funded. If either system fell below 90 percent funded (i.e. below the corridor), then the contribution rate in effect for the subsequent fiscal year would be the rate in effect for the preceding fiscal year plus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. Conversely, if either system exceeds 110 percent funded (i.e., above the corridor), then the contribution rate in effect for the subsequent fiscal year will be the rate in effect for the preceding fiscal year minus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. The methodology for computing the State's employer contribution rates for the Law Enforcement Officers' Pension System, State Police Retirement System and the Judges' Retirement System remain unchanged. For each of these three systems, the employer contribution rate is equal to the sum of the normal contribution and the accrued liability contribution rates.

Legislation enacted at the 2013 session effective on July 1, 2013 phases out the corridor funding method over ten years and amortizes unfunded liabilities over a 25-year closed period. The legislation requires that the annual employer contribution rate be based on the prior year's contribution rate and the actuarially determined funding rate for the upcoming year.

The Board also adopted new economic assumptions for the June 30, 2013 valuation, in particular, an investment return assumption of 7.70% and an inflation assumption of 2.95%. The COLA, salary increase and payroll growth assumptions have also changed as a result of the change in the inflation assumption.

The net change due to the aforementioned items to the actuarial accrued liability (AAL) of the combined State Systems and State and Municipal System are \$52 million and \$57 million, respectively, as of June 30, 2013.

During fiscal year 2013, the employer contribution paid from State general funds was \$1,075,000,000, a decrease of \$31,700,000 from the fiscal year 2012 contribution, which also included payment of a portion of local teachers' pension from federal stimulus funds.

During fiscal year 2013, for the State Pool, the State paid \$1,531,106,000, of the required contribution totaling \$2,051,368,000, which was 16.3% of covered payroll and 74.6% of the required payment. The difference represents an additional pension cost liability in the government-wide statement of net position. The State makes non-employer contributions to the System for local school system teachers. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 2013, the State's membership includes 167,225, active members, 44,899, vested former members, and 122,240, retirees and beneficiaries.

In the First Special Session of 2012, the General Assembly enacted legislation that requires local school boards to pay a portion of the actuarially determined normal cost of local teachers' retirement phased in beginning in fiscal year 2013 until fiscal year 2017 when the local school boards will pay 100% of normal cost.

Annual Pension Cost and Net pension Obligation for the System (State Pool):

The annual pension cost and net pension obligation as of June 30, 2013, were as follows (amounts expressed in thousands).

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System
Annual required contribution.....	\$ 1,265,418	\$ 648,133	\$ 59,329	\$ 24,062	\$ 41,048
Interest on net pension obligation.....	84,972	98,067	3,906		
Actuarial adjustment to annual required contribution.....	(82,429)	(88,176)	(2,962)		
Annual pension cost.....	1,267,961	658,024	60,273	24,062	41,048
Contributions made.....	981,004	433,662	51,330	24,062	41,048
Increase in net pension obligation.....	286,957	224,362	8,944		
Net pension obligation, beginning of year.....	1,096,418	1,265,385	50,404		
Net pension obligation, end of year.....	\$ 1,383,375	\$ 1,489,746	\$ 59,348	\$ -	\$ -
Amortization period (years rolling)	19.8	22.3	30.0	17.3	16.3

Three year historical trend information for the System (State Pool) was as follows (amounts expressed in thousands).

Plan	Annual Pension Cost		
	As of June 30		
	2013	2012	2011
Teachers' Retirement and Pension System	\$ 1,267,961	\$ 1,292,651	\$ 1,227,519
Employees' Retirement and Pension System.....	658,024	619,979	571,261
State Police Retirement System	60,273	55,262	51,967
Judges' Retirement System	24,062	24,077	23,854
Law Enforcement Officers' Pension System	41,048	41,868	39,514

Plan	Percentage of Annual Pension Cost Contributed		
	As of June 30		
	2013	2012	2011
Teachers' Retirement and Pension System	77 %	71 %	75 %
Employees' Retirement and Pension System.....	66	59	62
State Police Retirement System	85	86	88
Judges' Retirement System	100	100	100
Law Enforcement Officers' Pension System	100	100	100

Plan	Net Pension Obligation		
	As of June 30		
	2013	2012	2011
Teachers' Retirement and Pension System	\$ 1,383,375	\$ 1,096,418	\$ 721,331
Employees' Retirement and Pension System.....	1,489,746	1,265,385	1,008,846
State Police Retirement System	59,348	50,404	42,425
Judges' Retirement System			
Law Enforcement Officers' Pension System			

The funded status of each plan for both the State and Municipal Pools, as of June 30, 2013, the most recent valuation date, is as follows (amounts expressed in thousands).

Plan	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded ALL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll	(Unfunded AAL) /Excess as a Percentage of Covered Payroll
State Pool						
Teachers' Retirement and Pension System	\$ 23,845,618	\$ 35,530,441	\$ (11,684,823)	67.11%	\$ 6,185,176	(189)%
Employees' Retirement and Pension System.....	10,149,146	17,015,275	(6,866,129)	59.65	3,026,069	(227)
State Police Retirement System	1,164,217	1,882,501	(718,284)	61.84	79,848	(900)
Judges' Retirement System	354,900	438,836	(83,937)	80.87	40,001	(210)
Law Enforcement Officers' Pension System	<u>478,028</u>	<u>840,397</u>	<u>(362,369)</u>	<u>56.88</u>	<u>84,734</u>	<u>(428)</u>
Total State Pool	<u>\$ 35,991,909</u>	<u>\$ 55,707,450</u>	<u>\$ (19,715,542)</u>	<u>64.61%</u>	<u>\$ 9,415,828</u>	<u>(209)%</u>
Municipal Pool						
Employees' Retirement and Pension System.....	\$ 3,177,440	\$ 4,031,458	\$ (854,018)	78.82%	\$ 1,004,192	(85)%
Law Enforcement Officers' Pension System	164,650	302,757	(138,107)	54.38	52,879	(261)
Correctional Officers' Retirement System	<u>16,971</u>	<u>18,426</u>	<u>(1,456)</u>	<u>92.10</u>	<u>4,646</u>	<u>(31)</u>
Total Municipal Pool	<u>\$ 3,359,061</u>	<u>\$ 4,352,641</u>	<u>\$ (993,581)</u>	<u>77.17%</u>	<u>\$ 1,061,717</u>	<u>(94)%</u>

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the State Pool's plan assets is increasing or decreasing over time relative to the AAL for benefits. The Schedule of Funding Progress also discloses the relationship between the System's covered payroll (i.e., all elements included in compensation paid to active members on which contributions are based) and the unfunded actuarial accrued liability. This relationship, expressed as a ratio, is a measure of the significance of the unfunded AAL relative to the capacity to pay all contributions required to fund the liability.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2013, the most recent valuation date.

Valuation method	Individual Entry Age Normal Cost Method
Cost method of valuing assets.....	Five-year smoothed market (maximum 120% and minimum 80% of market value)
Rate of return on investments	7.70%
Projected payroll growth including wage inflation at 2.95%.	3.45%-11.95%
Discount rate	7.70%
Postretirement benefit increase	2.70% - 3.45% for service prior to July 1, 2011 1.69% - 3.45% for service after June 30, 2011 (depending on system and provisions)
Amortization method	Level Percentage of Payroll
Amortization period	25 years as of June 30, 2013 for all UAAL
Status of period (Open or Closed)	Closed

Maryland Transit Administration Pension Plan (Plan):

The Plan is a single employer non-contributory plan, which covers all Maryland Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The Maryland Transit Administration was given authority to establish and maintain the Plan under Transportation Article, Section 7-206(b)(2)(ii), of the Annotated Code of Maryland. The Plan is administered and funded in compliance with the collective bargaining agreements. The Plan prepares separately audited financial statements, which can be obtained from the Maryland Transit Administration Pension Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202.

Plan Description:

The Plan provides retirement, normal and early, death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.4% - 1.6% (1.3% prior to September 8, 2002) of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service (seven years for participants hired after May 18, 2013).

As of June 30, 2013, membership in the Plan includes 2,750 active members, 495 vested former members, and 1,609 retirees and beneficiaries. There were no investments in, loans to, or leases with parties related to the Plan. There were no Plan investments representing 5 percent or more of total Plan assets. For the year ended June 30, 2013, the Administration's covered and total payroll was \$137,596,000.

Funding Policy:

The Administration's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan.

During fiscal year 2013, the administration paid \$29,519,000, of the required contribution totaling \$34,582,000, which was 25.1% of covered payroll and 85.4% of the required payment. The annual pension cost consisted of \$5,201,000, normal cost and \$29,381,000, amortization of the actuarial accrued liability (4.0% and 21.1%, respectively, of covered payroll). The liquidation period for the actuarial accrued liabilities starting at June 30, 2002, as provided by law, is 6 years from June 30, 2013.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the annual pension cost and net pension obligations. The computation of the annual required contribution for fiscal year 2013 was based on the same actuarial assumptions, benefit provisions, actuarial funding method and other significant factors used to determine pension contribution requirements in the previous year.

Annual Pension Cost and Net Pension Obligation:

The Administration's annual pension cost and net pension obligation as of June 30, 2013, are as follows (amounts expressed in thousands).

Annual required contribution (ARC)	\$ 39,749
Interest on net pension obligation	(5,167)
Annual pension cost	34,582
Contributions made	29,519
Increase in net pension obligation (asset)	5,063
Net pension obligation (asset), beginning of year	(22,679)
Net pension obligation (asset), end of year	\$ (17,616)
Amortization period	12.7 years

Three year historical trend information for the Plan is as follows (amounts expressed in thousands).

Fiscal Years Ending,	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation (Asset)
6/30/2013	\$34,582	85%	\$(17,616)
6/30/2012	32,859	115	(22,679)
6/30/2011	33,928	140	(17,679)

Funded Status and Funding progress:

As of June 30, 2013, the most recent actuarial valuation date, the plan was 42.6% funded. The actuarial accrued liability for benefits was \$495,101,000, and the actuarial value of assets was \$210,737,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$284,364,000. The covered payroll (annual payroll of active employees covered by the plan) was \$137,596,000, and the ratio of the UAAL to the covered payroll was (206.7%). The net pension asset of \$17,616,000, is included in prepaid items in the governmental activities column of the government-wide statement of net position.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2013, the most recent valuation date.

Valuation method	Entry Age Normal, Level Dollar
Cost method of valuing assets.....	Five year open period smoothing (Market Value vs. Expected Actuarial Value)
Rate of return on investments	7.70%
Inflation Rate.....	3.5%
Rate of salary increase	3.5%- 9.5%
Postretirement benefit increase	Preceding Year Consumer Price Index, capped at 3%
Amortization method	Level dollar (years depend on type of base)
Remaining amortization period.....	12.7 years weighted average
Status of period (Open or Closed)	Closed

During fiscal year 2013, there were no changes in actuarial assumptions or benefit provisions from 2012 that significantly affected the valuation of the annual pension cost and net pension obligation other than the increase in the vesting period described in the Plan Description section.

Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code section 401(a). Under plan provision, the State contributes to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plan during the same plan year. By statute, the maximum amount contributed to this plan for each participant is \$600 for each State fiscal year. An employee's interest in his/her account is fully vested at all times. The match program continues to be established and funded in statute. During the year ended December 31, 2012, the State suspended the match contribution. For the plan year ended December 31, 2012, the State contributed \$495,000, to the 401(a) plan and participants contributed \$64,510,000, \$2,961,000, and \$ 92,032,000, to the 457, 403(b), and 401(k) plans, respectively.

16. Other Postemployment Benefits, Health Benefits (OPEB):

State Employee and Retiree Health and Welfare Benefits Program:

Plan Description:

The State Employee and Retiree Health and Welfare Benefits Program (Plan) is a single-employer defined benefit healthcare plan established by State Personnel and Pensions Article, Sections 2-501 – 2-516, of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (DBM). In addition, the Secretary shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll.

The Postretirement Health Benefits Trust Fund (OPEB Trust) is established as an irrevocable trust under Section 34-101 of the State Personnel and Pensions Article to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the State Retirement and Pension System. A separate audited GAAP-basis postemployment benefit plan report is not available for the defined benefit healthcare plan.

Funding Policy:

The contribution requirements of Plan members and the State are established by the Secretary. Each year the Secretary recommends to the Governor the State's share of the costs of the Plan. Beginning in fiscal year 2008, State law requires DBM to transfer any subsidy received as Medicare Prescription Drug Improvement and Modernization Act of 2003 or similar subsidy to the OPEB Trust to prefund costs of retirees' health benefits. Also, funds may be separately appropriated in the State's budget for transfer to the OPEB Trust. Applicable administrative expenses are payable from the OPEB Trust, but may not exceed \$100,000 annually.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from State service with at least five years of creditable service, ended State service with at least ten years of creditable service and within five years before the age at which a vested retirement allowance normally would begin, or ended State service with at least 16 years of creditable service. For members hired on or after July 1, 2011, they are required to have completed at least 25 years of creditable service, retired directly from State service with at least ten years of creditable service, or ended State service with at least ten years of creditable service and within five years before the age at which a vested retirement allowance normally would begin. As of July 1, 2013, the State's Plan membership includes 79,449, active employees, 3,921, vested former employees, and 65,485, retirees and beneficiaries. Based on current practice, the State subsidizes approximately 50% to 85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The Plan assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for active employees. For the fiscal year ended June 30, 2013, retiree plan members contributed \$85,396,000, or approximately 19.0% of total retiree premiums, and the State contributed \$393,078,000. During fiscal year 2013, the State did not transfer any of the Federal Medicare drug subsidy to the OPEB Trust to prefund future OPEB costs.

Annual OPEB Cost and Net OPEB Obligation:

The State's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the State's annual OPEB cost, the amount actually contributed to the Plan and the State's net OPEB obligation as of June 30, 2013 (amounts expressed in thousands).

Annual required contribution (ARC)	\$ 634,465
ARC Adjustment	(135,999)
Interest on net OPEB obligation beginning of year	150,090
Total Annual OPEB Cost (AOC)	648,556
Less: Contributions made	393,078
Increase in net OPEB obligation	255,478
Net OPEB obligation – beginning of year	3,531,522
Net OPEB obligation – end of year	<u>\$ 3,787,000</u>
Percentage of annual OPEB cost contributed	60.6%

Three year historical trend information for the Plan is as follows (amounts expressed in thousands).

Fiscal Years Ended,	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2013	\$ 648,556	60.6%	\$3,787,000
6/30/2012	718,744	53.7	3,531,522
6/30/2011	1,235,033	29.9	3,198,691

Funded Status:

As of June 30, 2013, the most recent actuarial valuation date, the OPEB Trust was 2.7% funded. The actuarial accrued liability for benefits was \$8,343,651,000, and the actuarial value of assets was \$222,628,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,121,023,000. The ratio of the actuarial value of assets to the actuarial accrued liability was 2.7%. The covered payroll (annual payroll of active employees covered under the Plan) was \$4,457,421,000, and the ratio of the UAAL to the covered payroll was (182.2%).

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2013.

Actuarial cost method	Entry Age Normal (percent of pay)
Asset valuation method	Five-year smoothed market.
Rate of return on investments	4.75%
Inflation rate	3.50%
Aggregate salary growth	3.50%
Method to determine blended rate	4.75% represents an unblended pay-go rate.
Healthcare cost trend rate	Medical: Under 65 – 7.25% graded to 5.00% over 9 years Over 65 – 7.00% graded to 5.00% over 8 years Prescription drug: 6.25% graded to 5.00% over 5 years Dental: 5.25% graded to 5.00% over 1 year
Amortization method	Level percentage of projected payroll
Amortization period	30 years (open)

For the current valuation, the discount rate was increased from 4.25% to 4.75%.

Maryland Transit Administration Retiree Healthcare Benefit:

The Maryland Transit Administration Retiree Healthcare Benefit (MTA OPEB) provides retiree health care benefits under a collective bargaining agreement to all employees who are members of the MTA pension plan, except transfers from union to management positions who are required to enroll in the State Employee and Retiree Health and Welfare Benefits Program. The MTA currently funds retirees' health care on a pay-as-you-go basis. The MTA does not currently have a separate fund set aside to pay health care costs.

Plan Description:

The MTA OPEB provides medical, hospitalization, prescription drug, dental and vision insurance benefits to eligible MTA employees, retirees and their dependents. Members are eligible at age 65 with five years of service or age 52 with 30 years of service provided the member is enrolled in an MTA health plan at normal retirement. Members are also eligible at age 55 if the sum of the participant's age plus years of actual credited service equals at least 85 and the participant is enrolled in an MTA health plan at early retirement. A separate audited GAAP-basis postemployment benefit plan report is not available for the healthcare plan.

As of June 30, 2013, 2,472, active employees and 1,320, retirees and beneficiaries were covered by healthcare insurance provided by MTA.

Funding Policy:

Based on current practice, MTA subsidizes approximately 50% to 100% of retiree healthcare premiums depending on the type of insurance plan and whether the retiree receives Medicare. Retirees make the same contribution as active employees, however Medicare is handled separately.

Annual OPEB Cost and Net OPEB Obligation:

MTA's annual OPEB cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The following table shows the components of MTA's annual OPEB cost, the amount actually contributed and MTA's net OPEB obligation as of June 30, 2013 (amounts expressed in thousands).

Annual required contribution (ARC)	\$ 70,512
ARC Adjustment	(11,844)
Interest on net OPEB obligation beginning of year	<u>7,195</u>
Total Annual OPEB Cost (AOC)	65,863
Less: Contributions made	<u>14,147</u>
Increase in net OPEB obligation	51,716
Net OPEB obligation – beginning of year	<u>169,285</u>
Net OPEB obligation – end of year	<u>\$221,001</u>
Percentage of annual OPEB cost contributed	21.5%

Three year historical trend information for the MTA OPEB is as follows (amounts expressed in thousands).

Fiscal Years Ended,	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2013	\$65,863	21.5%	\$221,001
6/30/2012	52,211	28.9	169,285
6/30/2011	50,554	28.2	132,177

Funded Status:

MTA OPEB is unfunded. As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$670,833,000. The covered payroll (annual payroll of active employees participating in MTA health plans) was \$137,596,000, and the ratio of the AAL to the covered payroll was (487.5%).

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to

that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2013.

Actuarial cost method	Entry Age Normal, Level Dollar
Rate of return on investments	4.25% This rate represents the long-term expected rate of return on MTA's general fund assets
Inflation rate	4.5%
Aggregate salary growth	3.25%
Healthcare cost trend rate.....	Medical: 8.00% in 2013 and decreasing to 4.5% over 12 years Prescription: 9.00% in 2013 and decreasing to 4.5% over 12 years Dental and Vision: 4.50% for all future years
Amortization method	Level Dollar Closed
Amortization period	21 years as of June 30, 2013 (closed)

17. Commitments:

Encumbrances included in fund balance on the governmental funds balance sheet are \$213,983,000, in the general fund and \$543,900,000, in other governmental funds as of June 30, 2013.

The State's governmental funds lease office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. These leases contain termination for convenience clauses providing for cancellation after a certain number of days notice to lessors. In addition, these leases contain appropriation clauses indicating that continuation of the lease is subject to appropriation by the legislature. Rent expenditures for the year ended June 30, 2013, were approximately \$66,534,000.

As of June 30, 2013, the governmental funds, other than the Department of Transportation, had commitments of approximately \$74,524,000, for service contracts.

As of June 30, 2013, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$3.4 billion and \$872,762,000, respectively, for construction of highway and mass transit facilities.

Approximately 34% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various noncancelable operating leases with scheduled rent increases. Minimum future rental revenues are as follows (amounts expressed in thousands).

Years Ending June 30,	Amounts
2014.....	\$ 125,355
2015.....	122,681
2016.....	119,871
2017.....	118,396
2018	118,057
2019-2023	<u>331,611</u>
Total	\$ 935,971

The cost and accumulated depreciation of the assets as of June 30, 2013, were \$2,303,173,000, and \$773,355,000, respectively.

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately \$124,171,000, for the year ended June 30, 2013.

As of June 30, 2013, the Maryland Lottery and Gaming Control Agency had commitments of approximately \$400,002,000, for services to be rendered relating principally to the operation of, and advertising for, the lottery games and the operation of the video lottery terminal program.

As of June 30, 2013, the enterprise fund loan programs had committed to lend a total of \$382,309,000, in additional loans and had committed \$5,840,000 for service contracts. The Community Development Administration, also an enterprise fund loan program, had \$355,370,000, of revenue bonds outstanding that are not included in the financial statements of the Administration because the bonds are not guaranteed by the State or any other program of the State or any political subdivision. The revenue bonds are secured solely by the individual multi-family project properties, related revenues, applicable credit enhancements or investments equal to the debt outstanding.

As of June 30, 2013, the higher education fund had commitments of approximately \$459,778,000, for the completion of projects under construction.

18. Contingencies:

The State is party to legal proceedings that normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 2013, economic development loan programs were contingently liable to financial institutions for \$5,916,000, for the repayment of loans for small businesses. Non-major enterprise funds were contingently liable as insurers of \$186,572,000, of \$1,341,926,000, mortgage loans made by public and private lenders. Non-major component units were contingently liable as insurers of \$16,368,000, of \$502,176,000, economic development and growth bonds issued by financial institutions.

As of June 30, 2013, there were approved economic development bonds pending settlement which were insured by non-major component units for \$250,000.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 2013, the State has recognized a liability of \$20,626,000, in the general fund for Medicaid claims to the federal government related to disallowed reimbursements. The State estimates that no additional material liabilities will result from such audits.

19. Tobacco Settlement:

Legislation enacted by the 1999 General Assembly established the Cigarette Restitution Fund for all revenues received from any judgment against or settlement with the tobacco industry. Expenditures from the fund are made by an appropriation in the annual State budget. The law provides that at least 50% of the appropriations shall be made for tobacco or health related purposes and the remaining appropriations may be for any public purpose. During the 2002 legislative session, legislation was enacted providing that for each of fiscal years 2003 through 2006, at least 25% of the appropriations shall be made for the Maryland Medical Assistance Program (Medicaid); the 2005 legislative session increased that percentage to 30% for each year for which appropriations are made. During the 2003 legislative session, legislation was enacted requiring that .15% of the fund be appropriated for enforcing the escrow requirements for nonparticipating tobacco product manufacturers. Transfers of \$153,061,000, were made from the proceeds in the Cigarette Restitution fund for fiscal year 2013 expenditure of appropriations.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share during fiscal year 2013 was \$151,062,000, including the award from the arbitration panel for attorney fees. This amount does not include \$18,381,000, the tobacco companies paid to the disputed account pending the outcome of litigation.

It is estimated that the payments made to the State pursuant to the Master Settlement through fiscal year 2018 will total \$2.98 billion of which \$149,873,000, was paid to outside counsel. The actual amount paid each year, however, will reflect adjustments for inflation and cigarette shipment volume. In addition, the State expects to receive \$97,591,000, during that same period pursuant to an award for attorney fees by the national arbitration panel.

20. Landfill Closure and Postclosure Care Costs:

State and Federal laws require the Maryland Environmental Service (the Service) to cover and to perform certain maintenance and monitoring functions at Midshore Regional Landfill I, Easton Landfill, Midshore II and Hobbs Road Landfill sites. Although closure and postclosure care costs will be paid near or after the date the landfills stop accepting waste, the Service reports a portion of these closure and postclosure care costs as a liability based upon the estimated useful life of the landfills. Midshore I's current cells are approximately 93% filled as of June 30, 2013. The landfill stopped accepting waste on December 31, 2010. Total closure and postclosure care costs for the landfill are currently estimated to be \$10,831,000, as determined through engineering studies, and \$8,762,000, has been recognized as a liability on the June 30, 2013, Combining Statement of Net Position, Non-Major Component Units.

A flyover is performed annually in July to assist in the calculation of the landfills' remaining capacity based upon the volume of cubic yard capacity. Midshore II's current cells, which are expected to close in 2049, are approximately 7% filled as of June 30, 2013. Total closure and postclosure care costs for the landfill are currently estimated to be \$17,591,000, as determined through engineering studies, and \$1,030,000, has been recognized as a liability as of June 30, 2013. Actual costs may be subject to change due to inflation, deflation, technology, and changes in applicable laws and regulations.

A receivable from project participants corresponding to the accrued liability has also been recorded.

Under Federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2012. The Service expects to satisfy these requirements as of June 30, 2013, using the same criteria.

21. Service Concession Arrangements:

In fiscal year 2013, the Maryland Department of Transportation entered into a long-term lease with Ports America Corporation (PAC) to manage, operate and maintain the Dundalk Marine Terminal. This agreement satisfies the criteria established to be considered a service concession arrangement.

Under the terms of the ground lease, the Department transfers rights to PAC for a term of 50 years. After 50 years the Department has the option to buy PAC's equipment. PAC charges and collects fees from the user for container lifts, short tons of roll on-roll off, break-bulk and bulk cargo and pays the operating costs, management fee and debt service associated with the project. The Department has the ability to approve what services the operator is required to provide.

As of June 30, 2013, the capital assets, net of accumulated depreciation, and deferred service concession arrangement receipts were \$53,209,000.

In fiscal year 2013, Maryland Transportation Authority and Areas USA entered a 35-year Service Concession Arrangement (SCA) agreement to redevelop and operate two travel plazas along the John F. Kennedy Memorial Highway (I-95). The structure of the agreement between the Authority and Areas USA is a long term lease and concession. The Authority retains ownership of the property and assets. All property and improvements, with the exception of the fueling systems, are returned to the Authority at the end of the 35 year lease. Under the agreement, the Authority should realize reduced future operating and capital expenses; debt capacity will be reserved for core business activities, and revenue is guaranteed over the life of the agreement. Areas USA will invest \$56,000,000, which required no public subsidy or debt, to redesign and rebuild both the 48-year-old Maryland House and the 36-year-old Chesapeake House travel plazas.

Areas USA will operate and maintain the travel plazas through the year 2047. The expected completion of the redevelopment of the Maryland House is December, 2013 and construction of the new Chesapeake House travel plaza will begin in spring 2014. The Authority recognized a deferred inflow of resources of \$3,000,000, from this contract for the year ending June 30, 2013 as reported on the Statement of Net Position.

The University System of Maryland has entered into a long-term lease of university-owned land and other SCA agreements with a quasi-governmental issuer of debt and a developer to build, and an operator to manage, student housing projects at seven of the System's institutions.

Under the terms of the ground lease, the System transfers rights to university-owned property for a term of 40 years to the quasi-governmental issuer of debt (the project 'owner'). The project owner contracts with a developer to build student housing on the property, as well as an operator that manages the facility on behalf of the owner. Each student housing project is financed using tax-exempt debt that limits the use of the project to uses that support the institution. The owner of the project charges and collects rent from the students, and pays the operating costs and debt service associated with the project. The residual cash flow from the project, after paying all operating costs and management fees, is paid to the university as the ground lease payment. The institution has the ability to approve what services the operator is required to provide and the rates that can be charged.

Upon final payment of the outstanding debt associated with the project, or upon termination of the ground lease, whichever is sooner, the building's ownership transfers to the university and the owner's rights to use land revert to the university.

As of June 30, 2013, the Statement of Net Position reflects net capital assets of \$389,642,000, and deferred service concession arrangement receipts of \$380,711,000, from this transaction.



Required
SUPPLEMENTARY
Information



STATE OF MARYLAND
Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual -
Budgetary General, Special, and Federal Funds
For the Year Ended June 30, 2013
(Expressed in Thousands)

	General Fund			
	Budget Amounts		Actual Amounts	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Income taxes.....	\$ 8,039,516	\$ 8,559,003	\$ 8,254,873	\$ (304,130)
Sales and use taxes.....	4,125,696	4,074,524	4,067,791	(6,733)
Other taxes.....	1,104,789	1,126,621	1,118,872	(7,749)
Licenses and fees.....	184,289	179,641	194,039	14,398
Charges for services.....	345,650	347,775	291,689	(56,086)
Interest and other investment income.....	34,994	10,000	21,469	11,469
Other.....	623,406	627,737	693,289	65,552
Federal revenue.....				
Total revenues.....	14,458,340	14,925,301	14,642,022	(283,279)
Expenditures and encumbrances by major function:				
Payments of revenue to civil divisions of the State.....	111,009	111,009	111,009	
Public debt.....				
Legislative.....	92,364	92,334	74,147	18,187
Judicial review and legal.....	509,343	510,465	490,907	19,558
Executive and administrative control.....	174,327	181,189	168,704	12,485
Financial and revenue administration.....	249,637	250,850	245,371	5,479
Budget and management.....	54,673	74,502	68,645	5,857
Retirement and pension.....				
General services.....	55,239	55,205	54,508	697
Transportation and highways.....				
Natural resources and recreation.....	45,211	48,591	44,800	3,791
Agriculture.....	27,415	28,323	27,177	1,146
Health, hospitals and mental hygiene.....	3,895,007	3,816,069	3,813,609	2,460
Human resources.....	592,481	661,228	659,369	1,859
Labor, licensing and regulation.....	36,386	36,884	36,142	742
Public safety and correctional services.....	1,088,206	1,101,026	1,087,114	13,912
Public education.....	7,154,754	7,191,809	7,157,133	34,676
Housing and community development.....	3,953	6,883	4,383	2,500
Business and economic development.....	72,583	73,605	53,871	19,734
Environment.....	32,799	33,643	31,960	1,683
Juvenile services.....	265,451	272,035	267,160	4,875
State police.....	206,099	213,814	213,381	433
State reserve fund.....	27,758	37,758	37,758	
Reversions.....	(30,000)	(30,000)		(30,000)
Total expenditures and encumbrances.....	14,664,695	14,767,222	14,647,148	120,074
Excess of revenues over (under) expenditures.....	(206,355)	158,079	(5,126)	(163,205)
Other sources (uses) of financial resources:				
Transfers in (out).....			29,207	29,207
Excess of revenues over (under) expenditures and other sources (uses) of financial resources.....	(206,355)	158,079	24,081	(133,998)
Fund balances - beginning of the year.....	(6,143,496)	(5,818,615)	1,297,198	7,115,813
Fund balances - end of the year.....	\$ (6,349,851)	\$ (5,660,536)	\$ 1,321,279	\$ 6,981,815

See accompanying Notes to Required Supplementary Information.

Special Fund				Federal Fund			
Budget Amounts		Actual Amounts	Variance Positive (Negative)	Budget Amounts		Actual Amounts	Variance Positive (Negative)
Original Budget	Final Budget			Original Budget	Final Budget		
\$ 324,260	\$ 138,612	\$ 390,544	\$ 251,932				
47,545	30,044	46,536	16,492				
2,592,732	2,627,216	2,578,058	(49,158)				
705,730	880,186	805,546	(74,640)				
2,923,036	2,951,387	2,264,383	(687,004)				
2,494	9,410	8,659	(751)			\$ 1,299	\$ 1,299
1,047,507	1,247,247	947,210	(300,037)				
				\$ 9,280,947	\$ 9,674,970	8,964,204	(710,766)
7,643,304	7,884,102	7,040,936	(843,166)	9,280,947	9,674,970	8,965,503	(709,467)
31,576	36,576	36,576					
910,514	910,514	903,881	6,633	11,955	12,152	12,102	50
	438	438					
106,232	110,613	90,307	20,306	6,341	11,734	8,685	3,049
329,634	338,256	281,160	57,096	266,104	391,511	249,532	141,979
303,073	307,410	175,421	131,989				
79,265	39,891	19,352	20,539	57,116	52,049	51,268	781
6,919	20,491	19,740	751				
3,657	3,886	3,827	59	1,114	1,116	1,116	
2,818,630	2,928,280	2,760,026	168,254	924,209	942,977	851,952	91,025
165,057	155,441	105,138	50,303	37,110	38,553	25,261	13,292
38,180	59,929	48,813	11,116	4,680	5,154	3,671	1,483
1,356,265	1,408,318	1,328,039	80,279	4,663,487	4,697,529	4,538,505	159,024
104,590	114,120	107,150	6,970	1,780,099	1,912,772	1,832,905	79,867
111,283	117,978	109,968	8,010	168,139	175,811	163,754	12,057
150,403	154,774	140,801	13,973	41,555	42,005	30,930	11,075
613,669	635,809	614,635	21,174	1,325,231	1,356,010	973,885	382,125
117,118	141,330	62,898	78,432	321,485	334,576	268,362	66,214
116,971	122,962	39,041	83,921	4,087	23,684	3,725	19,959
719,106	706,752	187,805	518,947	139,130	140,858	127,402	13,456
3,243	4,943	3,640	1,303	9,794	12,925	10,014	2,911
79,590	87,045	85,527	1,518	2,818	7,061	6,064	997
8,164,975	8,405,756	7,124,183	1,281,573	9,764,454	10,158,477	9,159,133	999,344
(521,671)	(521,654)	(83,247)	438,407	(483,507)	(483,507)	(193,630)	289,877
		399,818	399,818			193,630	193,630
(521,671)	(521,654)	316,571	838,225	(483,507)	(483,507)		483,507
(4,359,327)	(4,214,397)	1,635,444	5,849,841	(3,349,611)	(3,349,604)		3,349,604
\$ (4,880,998)	\$ (4,736,051)	\$ 1,952,015	\$ 6,688,066	\$ (3,833,118)	\$ (3,833,111)	\$ -	\$ 3,833,111

STATE OF MARYLAND
Reconciliation of the Budgetary General and Special Funds, Fund Balances to
the GAAP General and Special Revenue Fund, Fund Balances

June 30, 2013

(Expressed in Thousands)

	General	Special
Amount in budgetary funds, fund balance (pages 106 & 107)	\$ 1,321,279	\$ 1,952,015
Budgetary special funds reclassified to the general fund.....	924,320	(924,320)
Budgetary special funds reclassified to other funds.....		(798,169)
Other non-budgetary funds reclassified to governmental funds.....	396,271	560
Total of budgetary fund balances reclassified into the governmental funds' fund structure.....	2,641,870	230,086
Accounting principle differences:		
Assets recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Cash.....	(444,036)	
Investments.....	(107,083)	3,271
Taxes receivable.....	85,441	
Intergovernmental receivables.....	124,602	
Other accounts receivable.....	67,606	
Prepaid items.....	(253,648)	92,410
Inventories.....	28,810	
Loans and notes receivable.....	36	34,036
Due from other funds.....	3,995	
Liabilities recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Salaries payable.....	57,055	
Accounts payable and accrued liabilities.....	(166,858)	(1,436)
Due to other funds.....	(588,108)	
Accounts payable to political subdivisions.....	(3,533)	
Deferred revenue.....	12,514	(54,633)
Accrued self insurance costs.....	(99,428)	
Financial statement governmental funds' fund balances, June 30, 2013 (page 28).....	\$ 1,359,235	\$ 303,734

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND
Required Supplemental Schedule of Funding Progress for
Maryland Pension and Retirement System
(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll(1)	(Unfunded AAL) /Excess as a Percentage of Covered Payroll(2)
TEACHERS RETIREMENT AND PENSION SYSTEM						
2013	\$ 23,845,618	\$ 35,530,441	\$ (11,684,823)	67.11 %	\$ 6,185,176	(188.92)%
2012	22,523,977	34,252,715	(11,728,738)	65.76	6,080,604	(192.89)
2011	21,868,875	32,985,145	(11,116,270)	66.30	6,196,976	(179.38)
2010	20,908,150	31,963,421	(11,055,271)	65.41	6,411,550	(172.43)
2009	20,605,618	31,172,917	(10,567,299)	66.10	6,411,550	(164.82)
2008	23,784,404	29,868,705	(6,084,301)	79.63	6,117,591	(99.46)
STATE EMPLOYEES RETIREMENT AND PENSION SYSTEM						
2013	\$ 10,149,146	\$ 17,015,275	\$ (6,866,129)	59.65 %	\$ 3,026,069	(226.90)%
2012	9,664,964	16,413,568	(6,748,604)	58.88	3,001,198	(224.86)
2011	9,508,670	16,009,640	(6,500,970)	59.39	3,019,160	(215.32)
2010	9,224,784	15,451,890	(6,227,106)	59.70	3,163,684	(196.83)
2009	9,230,381	15,080,783	(5,850,402)	61.21	3,250,809	(179.97)
2008	10,699,418	14,337,460	(3,638,042)	74.63	3,110,640	(116.95)
STATE POLICE RETIREMENT SYSTEM						
2013	\$ 1,164,217	\$ 1,882,501	\$ (718,284)	61.84 %	\$ 79,848	(899.56)%
2012	1,134,511	1,826,546	(692,035)	62.11	77,690	(890.76)
2011	1,090,383	1,759,676	(669,293)	61.96	75,551	(885.88)
2010	1,085,281	1,722,564	(637,283)	63.00	83,123	(766.67)
2009	1,119,766	1,710,356	(590,590)	65.47	87,070	(678.29)
2008	1,343,208	1,601,575	(258,367)	83.87	86,464	(298.81)
JUDGES RETIREMENT SYSTEM						
2013	\$ 354,900	\$ 438,836	\$ (83,937)	80.87 %	\$ 40,001	(209.84)%
2012	330,154	421,286	(91,132)	78.37	39,955	(228.09)
2011	293,801	433,239	(139,438)	67.81	38,810	(359.28)
2010	276,643	426,215	(149,572)	64.91	40,654	(367.91)
2009	270,870	421,039	(150,169)	64.33	40,965	(366.58)
2008	306,716	406,782	(100,066)	75.40	37,943	(263.73)
STATE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM						
2013	\$ 478,028	\$ 840,397	\$ (362,369)	56.88 %	\$ 84,734	(427.65)%
2012	435,858	792,962	(357,104)	54.97	83,672	(426.79)
2011	401,371	746,750	(345,379)	53.75	84,032	(411.01)
2010	367,934	715,568	(347,634)	51.42	89,227	(389.61)
2009	354,707	684,424	(329,717)	51.83	89,571	(368.11)
2008	389,793	611,367	(221,574)	63.76	85,814	(258.20)
TOTAL OF ALL PLANS						
2013	\$ 35,991,909	\$ 55,707,451	\$ (19,715,542)	64.61 %	\$ 9,415,827	(209.39)%
2012	34,089,464	53,707,077	(19,617,613)	63.47	9,283,119	(211.33)
2011	33,163,100	51,934,450	(18,771,350)	63.86	9,414,529	(199.39)
2010	31,862,792	50,279,658	(18,416,866)	63.37	9,788,238	(188.15)
2009	31,581,342	49,069,519	(17,488,177)	64.36	9,879,965	(177.01)
2008	36,523,539	46,825,889	(10,302,350)	78.00	9,438,452	(109.15)

(1) Covered payroll includes the payroll cost of those participants for which the State pays the retirement contribution but does not pay the participants' payroll cost.

(2) (Unfunded AAL)/excess assets over Aal as a percentage of covered payroll.

STATE OF MARYLAND
Required Supplemental Schedule of Funding Progress for
Maryland Transit Administration Pension Plan

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2013	\$ 210,737	\$ 495,101	\$ (284,364)	42.56 %	\$ 137,596	(206.67)%
2012	200,260	451,288	(251,028)	44.38	152,276	(164.85)
2011	182,918	433,637	(250,719)	42.18	147,474	(170.01)

Required Supplemental Schedule of Funding Progress for
Other Post-Employment Benefits Plan

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2013	\$ 222,628	\$ 8,343,651	\$ (8,121,023)	2.7 %	\$ 4,457,421	(182.2)%
2012	208,772	9,580,069	(9,371,297)	2.1	4,144,267	(226.1)
2011	196,295	9,732,430	(9,536,135)	2.0	4,633,653	(205.8)

Required Supplemental Schedule of Employer Contributions
and Other Contributing Entities for Other Post-Employment Benefits Plan

(Expressed in Thousands)

Year Ended June 30,		Annual Required Contribution	Percentage Contributed		Total
			Employer Contributions (a)	Other Contributing Entities (b)	
2013	\$	634,465	60.6 %	- %	60.6 %
2012		704,382	53.7	-	53.7
2011		1,225,206	29.9	-	29.9

Required Supplemental Schedule of Funding Progress for
Maryland Transit Administration Retiree Healthcare Benefit

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2013	\$ -	\$ 670,833	\$ (670,833)	- %	\$ 137,596	(487.5)%
2011	-	527,679	(527,679)	-	147,474	(357.8)
2009	-	431,500	(431,500)	-	151,560	(284.7)

Required Supplemental Schedule of Employer Contributions for
Maryland Transit Administration Retiree Healthcare Benefit

(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Actual Contribution Entry Age	Percentage Contributed
2013	\$ 70,512	\$ 14,147	20.1 %
2012	55,852	15,103	27.0
2011	53,015	14,230	26.8

(a) Employer contributions include pre-funding and pay-as-you-go contributions (net of retiree premiums).

(b) Other contributing entities consists of the Federal medicare drug subsidy contributed to the OPEB Trust.

STATE OF MARYLAND

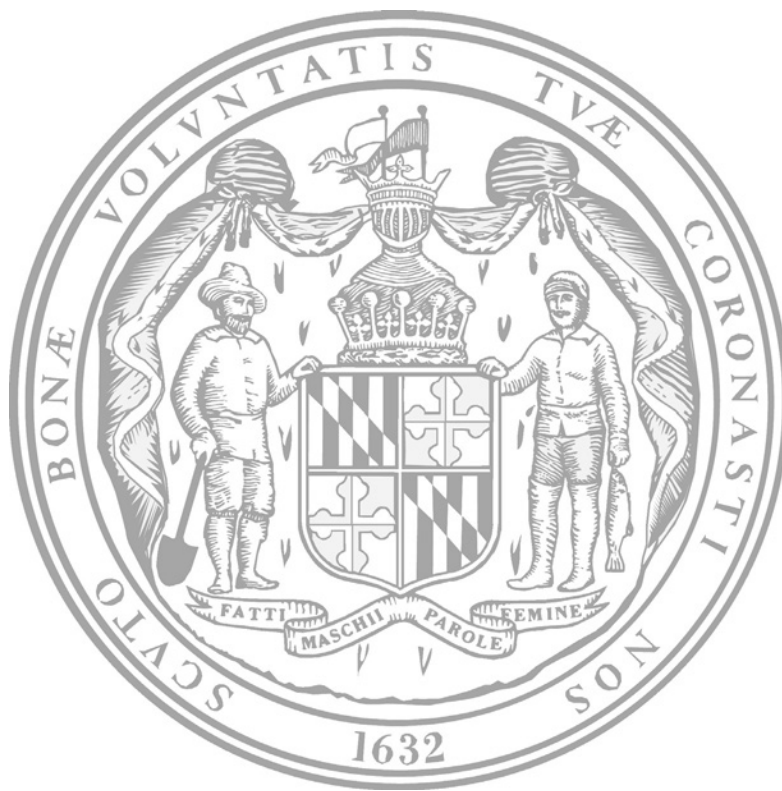
Notes to Required Supplementary Information For the Year Ended June 30, 2013

1. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the General Fund, which includes all transactions of the State, unless otherwise directed to be included in another fund, and the Special Fund, which includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue fund includes only the operations (other than debt service and pension activities) of the Maryland Department of Transportation. The budgetary Federal fund revenues and expenditures are included in the GAAP General and Special Funds as federal revenues and expenditures by function. An annual budget is also prepared for the Federal Fund, which accounts for substantially all grants from the Federal government, and the current unrestricted and restricted funds of the Universities and Colleges. In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund.

All State budgetary expenditures for the general, special and federal funds are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. The legal level of budgetary control is at the program level of the general, special and federal funds. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by program within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2013, the General Assembly approved a net increase in General Fund appropriations of \$115,302,000. Appropriations for programs funded in whole or in part from the special or federal funds may permit expenditures in excess of original special or federal fund appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent of encumbrances, with all other appropriations lapsing as of the end of the fiscal year. Unexpended appropriations from special and federal funds may be carried over to the extent of (a) available resources, and (b) encumbrances. The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. It controls expenditures at the program level to ensure legal compliance. The "Agency Appropriation Unencumbered Balance Report," which is available for public inspection at the Office of the Comptroller, provides a more comprehensive accounting of activity on the basis of budgeting at the legal level of budgetary control.

The original and amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balances, Budget and Actual for the year ended June 30, 2013. The State's budgetary fund structure and the basis of budgeting, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures. A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2013, is provided in the "Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund, Fund Balances" immediately following the budgetary schedule.





Combining
FINANCIAL
Statements



STATE OF MARYLAND

Non-major Governmental Funds

Debt Service Funds

General Obligation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations are accounted for in the general obligation bonds debt service fund.

Transportation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on transportation long-term debt obligations are accounted for in the transportation bonds debt service fund.

Capital Projects Fund

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from the State's general fund. The State enters into long-term contracts for construction of major capital projects and records the related commitments as encumbrances.

STATE OF MARYLAND
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2013
(Expressed in Thousands)

	Debt Service Funds		Capital	Total
	General	Transportation	Projects	Non-major
	Obligation	Bonds	Fund	Governmental
	Bonds			Funds
Assets:				
Equity in pooled invested cash.....		\$ 5	\$ 2,689	\$ 2,694
Investments.....			287,821	287,821
Intergovernmental receivables.....			3,765	3,765
Other accounts receivables.....			37	37
Restricted Assets:				
Cash with fiscal agent.....	\$ 30,128	5,051		35,179
Equity in pooled invested cash.....	175,193			175,193
Investments.....	6,124			6,124
Taxes receivable, net.....	21,846			21,846
Other accounts receivable.....	415			415
Loans and notes receivable, net.....	1,937			1,937
Total assets.....	\$ 235,643	\$ 5,056	\$ 294,312	\$ 535,011
Liabilities:				
Vouchers payable.....			\$ 59,094	\$ 59,094
Accounts payable and accrued liabilities.....			18,282	18,282
Due to other funds.....			21,644	21,644
Accounts payable to political subdivisions.....			5,356	5,356
Total liabilities.....			104,376	104,376
Fund balances:				
Restricted.....	\$ 235,643	\$ 5,056		240,699
Committed.....			543,900	543,900
Unassigned.....			(353,964)	(353,964)
Total fund balance.....	235,643	5,056	189,936	430,635
Total liabilities and fund balances.....	\$ 235,643	\$ 5,056	\$ 294,312	\$ 535,011

STATE OF MARYLAND
Combining Statement of Revenues, Expenditures, Other Sources and Uses of
Financial Resources and Changes in Fund Balances
Non-major Governmental Funds
For The Year Ended June 30, 2013
(Expressed in Thousands)

	Debt Service Funds			Total
	General	Transportation	Capital	Non-major
	Obligation	Bonds	Projects	Governmental
	Bonds	Bonds	Fund	Funds
Revenues:				
Property taxes.....	\$ 747,898			\$ 747,898
Interest and other investment income.....	1,001	\$ 6	\$ 882	1,888
Federal revenue.....	12,102		5,462	17,563
Other.....	348	1,773	1	2,122
Total revenues.....	761,348	1,779	6,344	769,471
Expenditures:				
Education.....			278,649	278,649
Aid to higher education.....			232,139	232,139
Intergovernmental grants and revenue sharing.....			178,632	178,632
Capital outlays.....			123,612	123,612
Debt Service:				
Principal retirement.....	564,299	109,340		673,639
Interest.....	343,121	70,968		414,089
Bond issuance costs.....			5,275	5,275
Total expenditures.....	907,420	180,308	818,306	1,906,034
Deficiency of revenues under expenditures.....	(146,073)	(178,529)	(811,962)	(1,136,563)
Other sources (uses) of financial resources:				
Bonds issued.....			1,043,230	1,043,230
Refunding bonds issued.....			348,930	348,930
Bond premium.....	151,848	9,307	79,983	241,138
Payments to refunded bond escrow agent.....			(423,021)	(423,021)
Transfers in.....	1,613	174,278	30,384	206,275
Transfers out.....	(2)		(150,952)	(150,954)
Total other sources of financial resources.....	153,459	183,585	928,554	1,265,598
Net changes in fund balances.....	7,387	5,056	116,592	129,035
Fund balances, beginning of year.....	228,256		73,344	301,600
Fund balances, end of year.....	\$ 235,643	\$ 5,056	\$ 189,936	\$ 430,635

STATE OF MARYLAND

Non-major Enterprise Funds

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The non-major enterprise funds consist of the economic development insurance programs of the Department of Housing and Community Development and Maryland Correctional Enterprises, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

STATE OF MARYLAND
Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2013
(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Assets -			
Current assets:			
Equity in pooled invested cash.....	\$ 803	\$ 15,141	\$ 15,944
Other accounts receivable.....		4,788	4,788
Due from other funds.....	373		373
Inventories.....		10,463	10,463
Loans and notes receivable, net.....	156		156
Other assets.....	2,763	155	2,918
Restricted equity in pooled invested cash.....	87,222		87,222
Total current assets.....	91,317	30,547	121,864
Non-current assets:			
Investments.....	1,905		1,905
Loans and notes receivable, net.....	222		222
Capital assets, net of accumulated depreciation:			
Structures and improvements.....		2,353	2,353
Equipment.....		4,464	4,464
Infrastructure.....		28	28
Total non-current assets.....	2,127	6,845	8,972
Total assets.....	93,444	37,392	130,836
Liabilities-			
Current liabilities:			
Accounts payable and accrued liabilities.....	1,799	1,986	3,785
Accrued insurance on loan losses.....	14,687		14,687
Other liabilities.....	421	870	1,291
Unearned revenue.....	770	1,211	1,981
Total current liabilities.....	17,677	4,067	21,744
Non-current liabilities:			
Other liabilities.....	2,100	549	2,649
Total non-current liabilities.....	2,100	549	2,649
Total liabilities.....	19,777	4,616	24,393
Net Position-			
Net investment in capital assets.....		6,845	6,845
Restricted for insurance programs.....	85,511		85,511
Unrestricted (deficit).....	(11,844)	25,931	14,087
Total net position.....	\$ 73,667	\$ 32,776	\$ 106,443

STATE OF MARYLAND
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Year Ended June 30, 2013
(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Operating revenues:			
Charges for services and sales.....	\$ 3,898	\$ 50,822	\$ 54,720
Unrestricted interest on loan income.....	536		536
Other.....	35		35
Total operating revenues.....	4,469	50,822	55,291
Operating expenses:			
Cost of sales and services.....		41,701	41,701
General and administrative.....	4,547	8,256	12,803
Depreciation and amortization.....		1,480	1,480
Provision for insurance on loan losses.....	8,018		8,018
Total operating expenses.....	12,565	51,437	64,002
Operating income (loss).....	(8,096)	(615)	(8,711)
Non-operating revenues (expenses):			
Restricted investment income.....	770		770
Other.....		(27)	(27)
Total non-operating revenues (expenses).....	770	(27)	743
Income (loss) before transfers.....	(7,326)	(642)	(7,968)
Transfers out.....	(1,069)	(500)	(1,569)
Changes in net position.....	(8,395)	(1,142)	(9,537)
Total net position - beginning of the year.....	82,062	33,918	115,980
Total net position - end of the year.....	\$ 73,667	\$ 32,776	\$ 106,443

STATE OF MARYLAND
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended June 30, 2013
(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Cash flows from operating activities:			
Receipts from customers.....	\$ 3,178	\$ 52,306	\$ 55,484
Payments to suppliers.....		(34,092)	(34,092)
Payments to employees.....	(5,821)	(15,214)	(21,035)
Other receipts.....	16,491		16,491
Other payments.....	(16,080)		(16,080)
Net cash from operating activities.....	(2,232)	3,000	768
Cash flows from noncapital financing activities:			
Transfers out.....	(1,069)	(500)	(1,569)
Net cash from noncapital financing activities.....	(1,069)	(500)	(1,569)
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets.....		10	10
Acquisition of capital assets.....		(588)	(588)
Net cash from capital and related financing activities.....		(578)	(578)
Cash flows from investing activities:			
Interest on investments.....	770		770
Net cash from investing activities.....	770		770
Net change in cash and cash equivalents.....	(2,531)	1,922	(609)
Balance - beginning of the year.....	90,556	13,219	103,775
Balance - end of the year.....	\$ 88,025	\$ 15,141	\$ 103,166
Reconciliation of operating income to net cash from operating activities:			
Operating income (loss).....	\$ (8,096)	\$ (615)	\$ (8,711)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization.....		1,480	1,480
Effect of changes in non-cash operating assets and liabilities:			
Other accounts receivable.....		904	904
Due from other funds.....	(373)		(373)
Inventories.....		277	277
Loans and notes receivable.....	39		39
Other assets.....	4,433	(64)	4,369
Accounts payable and accrued liabilities.....	1,137	448	1,585
Accrued insurance and loan losses.....	1,384		1,384
Unearned revenue.....	(721)	579	(142)
Other liabilities.....	(35)	(9)	(44)
Net cash from operating activities.....	\$ (2,232)	\$ 3,000	\$ 768

STATE OF MARYLAND

Fiduciary Funds

The Pension and Other Employee Benefits Trust Funds include the Maryland State Retirement and Pension System, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Trust Funds reflect the transactions, assets, liabilities and net position of the plans administered by the State and the Maryland Transit Administration and are accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is included with a year end of December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). Amounts deferred are invested and are not subject to federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.

The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employee's payroll.

STATE OF MARYLAND
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefits Trust Funds
June 30, 2013
(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Deferred Compensation Plan December 31, 2012	Total
Assets:				
Cash	\$ 2,080,893	\$ 10,578	\$ 4,635	\$ 2,096,106
Equity in pooled invested cash.....	4,193			4,193
Investments:				
U.S. Treasury and agency obligations.....	2,427,710	16,593		2,444,303
Bonds.....	4,098,639	20,362		4,119,001
Corporate equity securities.....	12,665,512	75,153		12,740,665
Mortgage related securities.....	2,079,512	9,644		2,089,156
Mutual funds.....	9,865,771		1,833,986	11,699,757
Guaranteed investment contracts.....			792,526	792,526
Real estate.....	1,660,226			1,660,226
Annuity contracts.....			94,433	94,433
Private equity.....	2,722,518			2,722,518
Alternative investments.....		57,040		57,040
Investment held by borrowers under securities lent with cash collateral.....	2,801,407			2,801,407
Total investments.....	38,321,296	178,792	2,720,944	41,221,032
Other receivables.....	1,455,156	2,556	34,060	1,491,772
Collateral for lent securities.....	2,876,448			2,876,448
Total assets.....	44,737,986	191,926	2,759,639	47,689,551
Liabilities:				
Accounts payable and accrued liabilities.....	1,498,321	2,558		1,500,879
Collateral obligation for lent securities.....	2,876,448			2,876,448
Total liabilities.....	4,374,769	2,558		4,377,327
Net position:				
Held in trust for :				
Pension benefits.....	40,363,217	189,368		40,552,585
Deferred compensation benefits.....			2,759,639	2,759,639
Total net position.....	\$ 40,363,217	\$ 189,368	\$ 2,759,639	\$ 43,312,224

STATE OF MARYLAND
Combining Statement of Changes in Plan Net Position
Pension and Other Employee Benefits Trust Funds
For the Year Ended June 30, 2013
(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Deferred Compensation Plan December 31, 2012	Total
Additions:				
Contributions:				
Employers.....	\$ 961,884	\$ 29,519	\$ 495	\$ 991,898
Members.....	710,856		159,503	870,359
Sponsors.....	681,217			681,217
Total contributions.....	2,353,957	29,519	159,998	2,543,474
Investment earnings:				
Net appreciation in fair value of investments.....	2,653,978	3,115	249,564	2,906,657
Interest.....	358,082	16,528	25,618	400,228
Dividends.....	1,107,491			1,107,491
Real estate operating net earnings.....	37			37
Total investment income.....	4,119,588	19,643	275,182	4,414,413
Less: investment expense.....	273,793			273,793
Net investment income.....	3,845,795	19,643	275,182	4,140,620
Total additions.....	6,199,752	49,162	435,180	6,684,094
Deductions:				
Benefit payments.....	2,950,700	30,305	179,890	3,160,895
Refunds.....	38,281			38,281
Administrative expenses.....	26,280	1,138	10,945	38,363
Total deductions.....	3,015,261	31,443	190,835	3,237,539
Changes in net position.....	3,184,491	17,719	244,345	3,446,555
Net position held in trust for pension and other employee benefits				
Beginning of the year.....	37,178,726	171,649	2,515,294	39,865,669
End of the year.....	\$ 40,363,217	\$ 189,368	\$ 2,759,639	\$ 43,312,224

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Position
Maryland State Retirement and Pension System

June 30, 2013

(Expressed in Thousands)

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Assets:								
Cash	\$ 1,207,401	\$ 719,300	\$ 66,249	\$ 44,504	\$ 43,439	\$ 2,080,893	\$	2,080,893
Equity in pooled invested cash.....	4,193					4,193		4,193
Investments, at fair value.....	23,326,821	12,940,244	1,123,766	318,808	611,657	38,321,296		38,321,296
Other receivables	839,394	537,585	43,564	11,734	22,879	1,455,156		1,455,156
Due from other systems.....	39	77	2		2	120	(120)	
Collateral for lent securities.....	1,743,519	978,565	84,273	24,311	45,780	2,876,448		2,876,448
Total assets.....	27,121,367	15,175,771	1,317,854	399,357	723,757	44,738,106	(120)	44,737,986
Liabilities:								
Accounts payable and accrued liabilities	908,194	510,241	45,018	12,714	22,154	1,498,321		1,498,321
Due to other system.....	29	91				120	(120)	
Collateral obligation for lent securities...	1,743,519	978,565	84,273	24,311	45,780	2,876,448		2,876,448
Total liabilities.....	2,651,742	1,488,897	129,291	37,025	67,934	4,374,889	(120)	4,374,769
Net Position:								
Held in trust for pension benefits.....	\$ 24,469,625	\$ 13,686,874	\$ 1,188,563	\$ 362,332	\$ 655,823	\$ 40,363,217	\$ -	\$ 40,363,217

* Intersystem balances have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Position
Maryland State Retirement and Pension System
For the Year Ended June 30, 2013
(Expressed in Thousands)

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Additions:								
Contributions:								
Employers.....	\$ 299,787	\$ 531,433	\$ 51,330	\$ 24,062	\$ 55,272	\$ 961,884	\$	\$ 961,884
Members.....	432,215	260,201	6,429	2,452	9,559	710,856		710,856
Sponsors.....	681,217					681,217		681,217
Total contributions.....	1,413,219	791,634	57,759	26,514	64,831	2,353,957		2,353,957
Investment earnings:								
Net increase in fair value of investments.....	1,608,314	903,994	78,033	22,396	41,241	2,653,978		2,653,978
Interest.....	208,952	117,779	10,144	2,939	5,404	345,218		345,218
Dividends.....	670,540	377,668	32,553	9,409	17,321	1,107,491		1,107,491
Income from securities lending.....	7,747	4,404	377	107	229	12,864		12,864
Real estate operating net earnings.....	22	13	1		1	37		37
Total investment income.....	2,495,575	1,403,858	121,108	34,851	64,196	4,119,588		4,119,588
Less: investment expense.....	165,784	93,350	8,040	2,324	4,295	273,793		273,793
Net investment income.....	2,329,791	1,310,508	113,068	32,527	59,901	3,845,795		3,845,795
Transfers from other systems.....	1,150		1		172	1,323	(1,323)	
Total additions.....	3,744,160	2,102,142	170,828	59,041	124,904	6,201,075	(1,323)	6,199,752
Deductions:								
Benefit payments.....	1,741,745	1,027,510	109,055	25,964	46,426	2,950,700		2,950,700
Refunds.....	20,542	16,977	245	29	488	38,281		38,281
Administrative expenses.....	13,781	11,701	349	38	411	26,280		26,280
Transfers to other systems.....		1,323				1,323	(1,323)	
Total deductions.....	1,776,068	1,057,511	109,649	26,031	47,325	3,016,584	(1,323)	3,015,261
Changes in net position.....	1,968,092	1,044,631	61,179	33,010	77,579	3,184,491		3,184,491
Net position held in trust for pension benefits:								
Beginning of the year.....	22,501,533	12,642,243	1,127,384	329,322	578,244	37,178,726		37,178,726
End of the year.....	\$ 24,469,625	\$ 13,686,874	\$ 1,188,563	\$ 362,332	\$ 655,823	\$ 40,363,217	\$ -	\$ 40,363,217

*Intersystem transfers have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Position
Deferred Compensation Plan
December 31,2012
(Expressed in Thousands)

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Assets:					
Cash	\$ 4,635				\$ 4,635
Investments, at fair value.....	1,275,059	\$ 1,225,904	\$ 149,528	\$ 70,453	2,720,944
Other receivables.....	15,624	18,003		433	34,060
Total assets.....	1,295,318	1,243,907	149,528	70,886	2,759,639
Net position:					
Held in trust for deferred compensation benefits.....	\$ 1,295,318	\$ 1,243,907	\$ 149,528	\$ 70,886	\$ 2,759,639

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Position
Deferred Compensation Plan
For the Year Ended December 31,2012
(Expressed in Thousands)

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions:					
Contributions:					
Employers.....			\$ 495		\$ 495
Members.....	\$ 64,510	\$ 92,032		\$ 2,961	159,503
Total contributions.....	64,510	92,032	495	2,961	159,998
Investment earnings:					
Net increase in fair value of investments.....	102,849	122,356	16,098	8,261	249,564
Interest.....	16,201	8,302	887	228	25,618
Net investment income.....	119,050	130,658	16,985	8,489	275,182
Total additions.....	183,560	222,690	17,480	11,450	435,180
Deductions:					
Benefit payments.....	92,246	76,111	6,726	4,807	179,890
Administrative expenses.....	7,926	2,599	279	141	10,945
Total deductions.....	100,172	78,710	7,005	4,948	190,835
Changes in net position.....	83,388	143,980	10,475	6,502	244,345
Net position held in trust for pension and other employee benefits:					
Beginning of the year.....	1,211,930	1,099,928	139,053	64,383	2,515,294
End of the year.....	\$ 1,295,318	\$ 1,243,907	\$ 149,528	\$ 70,886	\$ 2,759,639

STATE OF MARYLAND
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2013
(Expressed in Thousands)

	Agency Funds					Total Agency Funds
	Local Income Taxes	Insurance Premium Taxes	Local Transportation Funds and Other Taxes	Payroll Taxes and Fringe Benefits	Litigant, Patient and Prisoner Accounts	
Assets:						
Cash		\$ 10	\$ 35,819		\$ 37,413	\$ 73,242
Equity in pooled invested cash.....	\$ 852,776	92,206	16,485	\$ 347	12,778	974,592
Taxes receivable, net.....	138,603					138,603
Intergovernmental receivables.....				101		101
Accounts receivable from state treasury	550,000					550,000
Total assets.....	\$ 1,541,379	\$ 92,216	\$ 52,304	\$ 448	\$ 50,191	\$ 1,736,538
Liabilities:						
Accounts payable and accrued liabilities		\$ 92,216	\$ 3,716	\$ 448	\$ 45,289	\$ 141,669
Accounts payable to political subdivisions	\$ 1,541,379		48,588		4,902	1,594,869
Total liabilities.....	\$ 1,541,379	\$ 92,216	\$ 52,304	\$ 448	\$ 50,191	\$ 1,736,538

STATE OF MARYLAND
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013
(Expressed in Thousands)

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<i>Litigant, Patient and Prisoner Accounts</i>				
Assets:				
Cash.....	\$ 38,746	\$ 54,419	\$ 55,752	\$ 37,413
Equity in pooled invested cash.....	5,007	22,966	15,195	12,778
Total assets.....	<u>\$ 43,753</u>	<u>\$ 77,385</u>	<u>\$ 70,947</u>	<u>\$ 50,191</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 40,490	\$ 75,461	\$ 70,662	\$ 45,289
Accounts payable to political subdivisions.....	3,263	1,924	285	4,902
Total liabilities.....	<u>\$ 43,753</u>	<u>\$ 77,385</u>	<u>\$ 70,947</u>	<u>\$ 50,191</u>
<i>Insurance Premium Taxes</i>				
Assets:				
Cash	\$ 10			\$ 10
Equity in pooled invested cash.....	88,871	\$ 38,302	\$ 34,967	92,206
Total assets.....	<u>\$ 88,881</u>	<u>\$ 38,302</u>	<u>\$ 34,967</u>	<u>\$ 92,216</u>
Liabilities:				
Accounts payable and accrued liabilities.....	<u>\$ 88,881</u>	<u>\$ 38,302</u>	<u>\$ 34,967</u>	<u>\$ 92,216</u>
<i>Local Income Taxes</i>				
Assets:				
Equity in pooled invested cash.....	\$ 709,133	\$ 4,855,688	\$ 4,712,045	\$ 852,776
Taxes receivable.....	128,997	138,603	128,997	138,603
Intergovernmental receivables.....	2,483		2,483	
Accounts receivable from state treasury.....	550,000			550,000
Total assets.....	<u>\$ 1,390,613</u>	<u>\$ 4,994,291</u>	<u>\$ 4,843,525</u>	<u>\$ 1,541,379</u>
Liabilities:				
Accounts payable to political subdivisions.....	<u>\$ 1,390,613</u>	<u>\$ 4,994,291</u>	<u>\$ 4,843,525</u>	<u>\$ 1,541,379</u>
<i>Local Transportation Funds and Other Taxes</i>				
Assets:				
Cash	\$ 16,210	\$ 19,609		\$ 35,819
Equity in pooled invested cash.....	15,656	140,346	\$ 139,517	16,485
Total assets.....	<u>\$ 31,866</u>	<u>\$ 159,955</u>	<u>\$ 139,517</u>	<u>\$ 52,304</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 3,385	\$ 3,716	\$ 3,385	\$ 3,716
Accounts payable to political subdivisions.....	28,481	156,239	136,132	48,588
Total liabilities.....	<u>\$ 31,866</u>	<u>\$ 159,955</u>	<u>\$ 139,517</u>	<u>\$ 52,304</u>
<i>Payroll Taxes and Fringe Benefits</i>				
Assets:				
Equity in pooled invested cash.....	\$ 606	\$ 1,619,589	\$ 1,619,848	\$ 347
Intergovernmental receivables.....	88	101	88	101
Total assets.....	<u>\$ 694</u>	<u>\$ 1,619,690</u>	<u>\$ 1,619,936</u>	<u>\$ 448</u>
Liabilities:				
Accounts payable and accrued liabilities.....	<u>\$ 694</u>	<u>\$ 1,619,690</u>	<u>\$ 1,619,936</u>	<u>\$ 448</u>
<i>Totals - All Agency Funds</i>				
Assets:				
Cash	\$ 54,966	\$ 74,028	\$ 55,752	\$ 73,242
Equity in pooled invested cash.....	819,273	6,676,891	6,521,572	974,592
Taxes receivable.....	128,997	138,603	128,997	138,603
Intergovernmental receivables.....	2,571	101	2,571	101
Accounts receivable from state treasury.....	550,000			550,000
Total assets.....	<u>\$ 1,555,807</u>	<u>\$ 6,889,623</u>	<u>\$ 6,708,892</u>	<u>\$ 1,736,538</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 133,450	\$ 1,737,169	\$ 1,728,950	\$ 141,669
Accounts payable to political subdivisions.....	1,422,357	5,152,454	4,979,942	1,594,869
Total liabilities.....	<u>\$ 1,555,807</u>	<u>\$ 6,889,623</u>	<u>\$ 6,708,892</u>	<u>\$ 1,736,538</u>

STATE OF MARYLAND

Non-major Component Unit Financial Statements

Non-major Component Units

Non-major component units are comprised of the following proprietary fund type entities.

Maryland Environmental Service

The Maryland Environmental Service was created as a body corporate and politic. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

Maryland Industrial Development Financing Authority

The Maryland Industrial Development Financing Authority was established as a body corporate and politic and a public instrumentality of the State to provide financial assistance to enterprises seeking to locate or expand operations in Maryland.

Maryland Food Center Authority

The Maryland Food Center Authority is a body corporate and politic which was created to establish and operate a consolidated wholesale food center within the Greater Baltimore Region and is subject to State regulations.

Maryland Technology Development Corporation

The Maryland Technology Development Corporation was established as a body corporate and politic and a public instrumentality of the State to assist in the commercialization of technology developed in the universities and the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

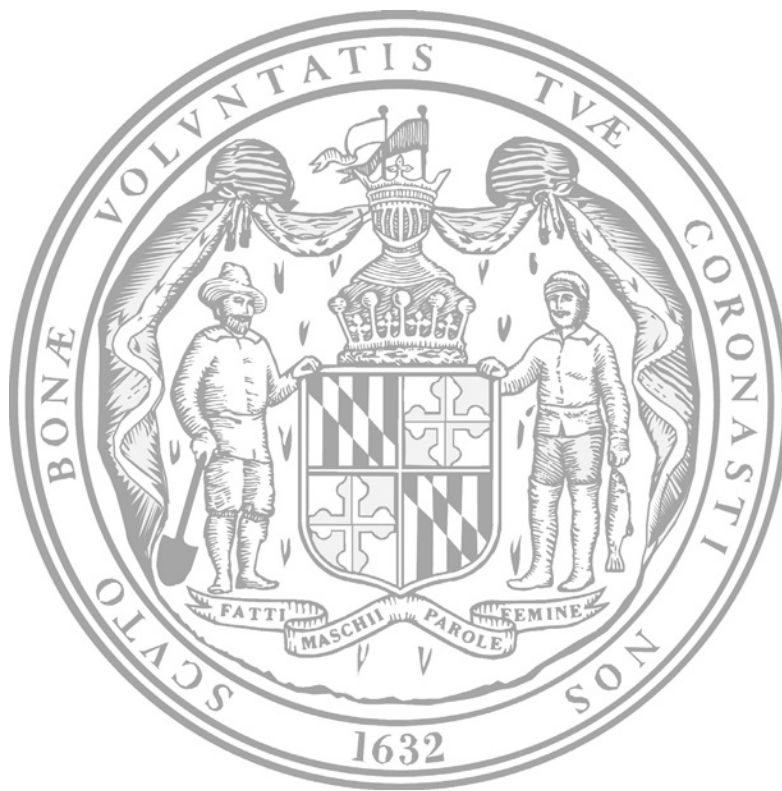
STATE OF MARYLAND
Combining Statement of Net Position
Non-Major Component Units
June 30, 2013

(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
Assets:					
Cash	\$ 44,459		\$ 6	\$ 6,351	\$ 50,816
Equity in pooled invested cash		\$ 38,637	4,635		43,272
Investments.....	11,186			6,665	17,851
Other accounts receivable	11,923		10	15	11,948
Due from Primary Government				14,250	14,250
Loans and notes receivable, net.....			189	690	879
Other assets.....	6,367		8	38	6,413
Restricted assets:					
Cash.....	345				345
Investments.....	2,144				2,144
Capital assets, net of accumulated depreciation:					
Land.....	2,730		5,103		7,833
Structures and improvements.....	26,314		15,561		41,875
Infrastructure.....	293				293
Equipment.....	6,570		764	24	7,358
Construction in progress.....	174		410		584
Total assets.....	112,505	38,637	26,686	28,033	205,861
Liabilities:					
Accounts payable and accrued liabilities.....	9,027		325	16,541	25,893
Unearned revenue.....		189	326	4,103	4,618
Accrued insurance on loan losses.....		2,806			2,806
Other liabilities			228		228
Bonds and notes payable:					
Due within one year.....	770				770
Due in more than one year.....	18,947				18,947
Other noncurrent liabilities:					
Due within one year	37,946		93		38,039
Due in more than one year	18,427		83		18,510
Total liabilities.....	85,117	2,995	1,055	20,644	109,811
Net position:					
Net investment in capital assets.....	10,327		21,838	24	32,189
Restricted for capital improvements and deposits.....	11	85		74	170
Unrestricted.....	17,050	35,557	3,793	7,291	63,691
Total net position	\$ 27,388	\$ 35,642	\$ 25,631	\$ 7,389	\$ 96,050

STATE OF MARYLAND
Combining Statement of Activities
Non-Major Component Units
For the Year Ended June 30, 2013
(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
Expenses:					
General and administrative.....	\$ 12,201	\$ 2,442	\$ 1,226	\$ 966	\$ 16,835
Operation and maintenance of facilities.....	81,497		2,038		83,535
Interest on long-term debt.....	1,188				1,188
Depreciation and amortization.....	2,782		872	12	3,666
Other.....	397	1,066	2	20,670	22,135
Total expenses.....	98,065	3,508	4,138	21,648	127,359
Program revenues:					
Charges for services and sales.....	97,869	1,922	4,470	668	104,929
Total charges for services.....	97,869	1,922	4,470	668	104,929
Operating grants and contributions.....	1,215			21,323	22,538
Total program revenues.....	99,084	1,922	4,470	21,991	127,467
Net program revenue (expense).....	1,019	(1,586)	332	343	108
General revenues:					
Unrestricted investment income.....	72	335	32	151	590
Total general revenues.....	72	335	32	151	590
Change in net position.....	1,091	(1,251)	364	494	698
Net position - beginning of the year.....	26,297	36,893	25,267	6,895	95,352
Net position - end of the year.....	\$ 27,388	\$ 35,642	\$ 25,631	\$ 7,389	\$ 96,050





STATISTICAL

Section



Statistical Section

This part of the State's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's economic condition.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the State's financial position and well-being have changed over time.....	135
Revenue Capacity These schedules contain information to help the reader assess the State's most significant own-source revenues	142
Debt Capacity These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future	147
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place	152
Operating Information These schedules contain service data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs	155

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STATE OF MARYLAND
Net Position by Component, Primary Government
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Net investment in capital assets.....	\$ 14,203,503	\$ 13,771,338	\$ 13,669,573	\$ 13,796,006	\$ 14,381,207	\$ 14,267,201	\$ 13,853,102	\$ 13,405,751	\$ 12,940,305	\$ 11,937,207
Restricted*.....	241,446	229,448	200,791	154,372	126,583	87,879	88,808	149,621	145,607	114,327
Unrestricted (deficit).....	(10,915,188)	(10,023,466)	(8,238,126)	(6,664,836)	(5,152,460)	(2,273,983)	(559,318)	140,553	(668,169)	(1,046,233)
Total governmental activities net position	\$ 3,529,761	\$ 3,977,320	\$ 5,632,238	\$ 7,285,542	\$ 9,355,330	\$ 12,081,097	\$ 13,382,592	\$ 13,695,925	\$ 12,417,743	\$ 11,005,301
Business-type activities:										
Net investment in capital assets	\$2,396,073	\$2,314,382	\$2,117,369	\$1,554,706	\$1,368,562	\$1,685,176	\$1,613,891	\$1,303,668	\$1,217,923	\$1,331,400
Restricted	2,267,356	2,219,474	2,002,872	2,281,572	2,321,225	2,421,939	1,835,767	1,901,771	1,828,027	1,556,170
Unrestricted	2,112,651	1,855,353	1,602,600	1,453,631	1,498,587	1,250,324	1,725,338	1,670,224	1,450,868	1,197,542
Total business-type activities net position	\$ 6,776,080	\$ 6,389,209	\$ 5,722,841	\$ 5,289,909	\$ 5,188,374	\$ 5,357,439	\$ 5,174,996	\$ 4,875,663	\$ 4,496,818	\$ 4,085,112
Primary government:										
Net investment in capital assets	\$16,599,576	\$16,085,720	\$15,786,942	\$15,350,712	\$15,749,769	\$15,952,377	\$15,466,993	\$14,709,419	\$14,158,228	\$13,268,607
Restricted	2,508,802	2,448,922	2,203,663	2,435,944	2,447,808	2,509,818	1,924,575	2,051,392	1,973,634	1,670,497
Unrestricted (deficit)	(8,802,537)	(8,168,113)	(6,635,526)	(5,211,205)	(3,653,873)	(1,023,659)	1,166,020	1,810,777	782,699	151,309
Total primary government net position	\$10,305,841	\$10,366,529	\$11,355,079	\$12,575,451	\$14,543,704	\$17,438,536	\$18,557,588	\$18,571,588	\$16,914,561	\$15,090,413

*Information for fiscal years prior to fiscal year end June 30, 2006 , has been restated to reflect reclassifications of certain restricted and unrestricted balances.

STATE OF MARYLAND
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities (1):										
Expenses.....	\$ 31,110,854	\$ 31,045,539	\$ 31,067,223	\$ 29,909,914	\$ 28,467,897	\$ 26,793,866	\$ 24,691,358	\$ 22,326,398	\$ 21,203,763	\$ 20,382,202
Program revenues.....	12,655,977	12,356,151	13,002,556	12,207,706	10,177,024	8,669,151	8,669,565	8,073,911	7,948,502	7,941,822
Net (expense)/revenue, governmental activities.....	(18,454,877)	(18,689,388)	(18,064,667)	(17,702,208)	(18,290,873)	(18,124,715)	(16,021,793)	(14,252,487)	(13,255,261)	(12,440,380)
General revenues and other changes, governmental activities.....	18,007,318	17,034,470	16,411,363	15,632,420	15,742,974	16,823,220	15,708,460	15,530,669	14,667,703	12,592,202
Change in net position, governmental activities.....	(447,559)	(1,654,918)	(1,653,304)	(2,069,788)	(2,547,899)	(1,301,495)	(313,333)	1,278,182	1,412,442	151,822
Net position, beginning.....	3,977,320	5,632,238	7,285,542	9,355,330	12,081,097	13,382,592	13,695,925	12,417,743	11,005,301	10,779,155
Restatement (2).....					(177,868)					74,324
Net position, ending, governmental activities.....	\$ 3,529,761	\$ 3,977,320	\$ 5,632,238	\$ 7,285,542	\$ 9,355,330	\$ 12,081,097	\$ 13,382,592	\$ 13,695,925	\$ 12,417,743	\$ 11,005,301
Business-type activities (1):										
Expenses.....	\$ 3,724,891	\$ 3,751,849	\$ 3,666,971	\$ 3,905,705	\$ 3,191,998	\$ 2,308,944	\$ 2,204,570	\$ 2,018,125	\$ 1,980,350	\$ 2,038,850
Program revenues.....	4,889,817	4,917,366	4,622,076	4,628,272	3,323,650	2,943,519	2,822,801	2,850,386	2,755,686	2,594,808
Net (expense)/revenue, business-type activities.....	1,164,926	1,165,517	955,105	722,567	131,652	634,575	618,231	832,261	775,336	555,958
General revenues and other changes, business-type activities.....	(778,055)	(499,149)	(522,173)	(605,726)	(443,156)	(452,132)	(318,898)	(453,416)	(396,571)	(430,134)
Change in net position, business-type activities.....	386,871	666,368	432,932	116,841	(311,504)	182,443	299,333	378,845	378,765	125,824
Net position, beginning.....	6,389,209	5,722,841	5,289,909	5,188,374	5,357,439	5,174,996	4,875,663	4,496,818	4,085,112	3,959,288
Restatement (2).....				(15,306)	142,439				32,941	
Net position, ending, business-type activities.....	\$ 6,776,080	\$ 6,389,209	\$ 5,722,841	\$ 5,289,909	\$ 5,188,374	\$ 5,357,439	\$ 5,174,996	\$ 4,875,663	\$ 4,496,818	\$ 4,085,112
Primary government:										
Expenses.....	\$ 34,835,745	\$ 34,797,388	\$ 34,734,194	\$ 33,815,619	\$ 31,659,895	\$ 29,102,810	\$ 26,895,928	\$ 24,344,523	\$ 23,184,113	\$ 22,421,052
Program revenues.....	17,545,794	17,273,517	17,624,632	16,835,978	13,500,674	11,612,670	11,492,366	10,924,297	10,704,188	10,536,630
Net (expense)/revenue, primary government.....	(17,289,951)	(17,523,871)	(17,109,562)	(16,979,641)	(18,159,221)	(17,490,140)	(15,403,562)	(13,420,226)	(12,479,925)	(11,884,422)
General revenues and other changes, primary government.....	17,229,263	16,535,321	15,889,190	15,026,694	15,299,818	16,371,088	15,389,562	15,077,253	14,271,132	12,162,068
Change in net position, primary government.....	(60,688)	(988,550)	(1,220,372)	(1,952,947)	(2,859,403)	(1,119,052)	(14,000)	1,657,027	1,791,207	277,646
Net position, beginning.....	10,366,529	11,355,079	12,575,451	14,543,704	17,438,536	18,557,588	18,571,588	16,914,561	15,090,413	14,738,443
Restatement.....			-	(15,306)	(35,429)				32,941	74,324
Net position ending, primary government	\$ 10,305,841	\$ 10,366,529	\$ 11,355,079	\$ 12,575,451	\$ 14,543,704	\$ 17,438,536	\$ 18,557,588	\$ 18,571,588	\$ 16,914,561	\$ 15,090,413

(1) See the Expenses by Function, Primary Government and Revenues, Primary Government schedules for detail information on expenses and revenues.

(2) The beginning net position for fiscal year 2004 was restated due to implementation of GASB Technical Bulletin No. 2004-1. The beginning net position for fiscal year 2005 was restated for a change in accounting principles regarding the valuation of investments by the Maryland Lottery and Gaming Control Agency. Beginning net position balances were restated for fiscal year 2009 to recognize pollution remediation obligations for governmental activities and a prior period adjustment for capital assets of the Maryland Transportation Authority in the business-type activities. Beginning net position was restated for fiscal year 2010 due to implementation of GASB Statement No. 53.

STATE OF MARYLAND
Expenses by Function, Primary Government
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

Functions/Programs	Year ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Government activities:										
General government.....	\$ 894,637	\$ 871,352	\$ 865,519	\$ 837,542	\$ 835,858	\$ 815,107	\$ 712,936	\$ 693,074	\$ 747,486	\$ 598,116
Health and mental hygiene.....	10,038,006	9,870,227	9,592,240	9,174,006	8,398,880	7,648,495	7,400,023	6,588,057	6,202,439	6,090,102
Education.....	7,695,521	7,790,385	7,896,010	7,294,358	7,173,417	6,834,608	6,469,864	5,701,642	5,180,165	4,871,972
Aid for higher education.....	1,918,549	1,898,244	1,921,224	1,908,027	1,878,043	1,851,379	1,299,090	1,103,514	1,074,048	1,081,099
Human resources.....	2,611,879	2,551,033	2,537,952	2,401,029	2,163,217	1,859,485	1,647,583	1,622,945	1,595,093	1,586,022
Public safety.....	2,095,994	2,078,085	2,198,490	2,119,696	2,134,038	2,100,098	1,852,861	1,674,995	1,498,684	1,398,017
Transportation.....	3,146,053	3,155,703	3,176,910	3,460,865	3,202,687	3,054,406	2,913,259	2,382,539	1,912,602	1,839,205
Judicial.....	642,559	649,324	681,717	654,605	682,324	633,844	541,713	506,787	476,253	439,576
Labor, licensing and regulation.....	319,757	279,632	277,887	253,977	204,027	186,470	168,022	157,675	170,344	175,551
Natural resources and recreation.....	185,627	207,840	205,921	187,525	219,060	179,682	166,751	181,682	184,599	169,791
Housing and community development.....	295,611	347,008	373,548	319,721	248,334	247,515	229,008	217,544	212,753	202,278
Environment.....	104,685	108,213	126,054	121,957	123,854	108,273	92,977	84,973	78,238	85,382
Agriculture.....	97,234	46,645	90,502	57,275	94,930	82,163	59,294	56,706	55,985	46,427
Business and economic development.....	71,517	78,406	83,519	78,701	94,584	97,991	66,405	57,093	58,127	58,666
Intergovernmental grants.....	507,660	614,685	611,595	635,467	624,475	742,398	738,973	979,450	1,453,408	1,461,133
Interest.....	485,565	498,757	428,135	405,163	390,169	351,952	332,599	317,722	303,539	278,865
Total government activities expenses.....	31,110,854	31,045,539	31,067,223	29,909,914	28,467,897	26,793,866	24,691,358	22,326,398	21,203,763	20,382,202
Business-type activities:										
Economic development-insurance programs.....	12,565	4,689	12,693	4,247	8,881	4,759	1,545	11	(132)	(4,911)
Economic development-general loan programs.....	20,344	20,106	18,905	13,501	30,586	21,547	181,394	19,129	31,010	53,237
Economic development-water quality loan programs.....	209,263	142,280	153,331	99,911	43,245	42,409	8,465	26,045	10,574	11,348
Economic development-housing loan programs.....	207,423	204,117	193,258	201,077	210,603	189,906	58,816	131,420	138,723	135,717
Unemployment insurance program.....	1,246,507	1,585,495	1,629,721	2,004,334	1,330,465	544,109	445,877	403,776	432,125	581,634
Maryland Lottery and Gaming Control Agency.....	1,525,381	1,331,899	1,254,095	1,205,310	1,207,171	1,133,587	1,094,065	1,061,295	1,005,275	927,941
Maryland Transportation Authority.....	451,944	412,509	355,467	327,360	308,383	325,721	368,170	334,905	324,838	300,072
Maryland Correctional Enterprises.....	51,464	50,754	49,501	49,965	52,664	46,906	46,238	41,544	37,937	33,812
Total business-type activities expenses.....	3,724,891	3,751,849	3,666,971	3,905,705	3,191,998	2,308,944	2,204,570	2,018,125	1,980,350	2,038,850
Total primary government expenses.....	\$ 34,835,745	\$ 34,797,388	\$ 34,734,194	\$ 33,815,619	\$ 31,659,895	\$ 29,102,810	\$ 26,895,928	\$ 24,344,523	\$ 23,184,113	\$ 22,421,052

STATE OF MARYLAND
Revenues, Primary Government
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

Source	Year ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Program revenues:										
Charges for services:										
General government.....	\$ 724,997	\$ 500,747	\$ 455,729	\$ 490,230	\$ 616,176	\$ 359,589	\$ 424,639	\$ 301,119	\$ 484,933	\$ 349,078
Health and mental hygiene.....	1,368,278	1,332,658	1,205,122	948,124	564,677	458,706	417,753	353,211	320,596	289,988
Transportation.....	679,378	541,961	540,859	527,330	508,629	611,002	643,447	583,346	580,691	716,422
Judicial.....	349,347	434,276	283,781	246,027	252,847	260,145	403,697	415,925	384,985	384,215
Other activities.....	454,900	462,765	460,733	608,284	462,761	377,905	327,765	303,259	298,033	277,720
Operating grants and contributions.....	8,233,915	8,199,616	9,341,179	8,659,808	7,079,697	5,924,816	5,725,441	5,323,300	5,091,053	5,204,906
Capital grants and contributions.....	845,162	884,128	715,153	727,903	692,237	676,988	726,823	793,751	788,211	719,493
Total program revenues	12,655,977	12,356,151	13,002,556	12,207,706	10,177,024	8,669,151	8,669,565	8,073,911	7,948,502	7,941,822
General revenues:										
Taxes:										
Income taxes.....	8,657,390	7,868,089	7,605,497	7,003,514	7,167,890	7,885,639	7,333,979	7,119,633	6,829,564	5,518,813
Sales and use taxes.....	4,115,724	4,078,000	3,898,509	3,760,756	3,857,020	3,748,724	3,448,766	3,385,391	3,149,736	2,944,534
Motor vehicle taxes.....	2,072,571	1,988,153	1,913,570	1,796,769	1,787,144	1,920,460	1,995,525	1,996,645	2,045,021	1,805,796
Tobacco taxes.....	415,922	411,427	407,570	405,915	405,559	376,112	277,755	280,307	275,796	272,066
Insurance company taxes.....	429,410	428,023	392,287	382,569	369,479	469,144	390,026	356,816	311,591	260,137
Property taxes.....	990,061	994,439	1,043,943	1,009,768	968,892	1,026,592	1,010,513	1,142,071	1,000,405	838,976
Estate & inheritance taxes.....	258,978	221,206	241,576	196,002	229,723	261,987	242,208	238,462	198,272	167,590
Other taxes.....	293,031	296,068	302,421	294,752	293,391	311,048	309,883	302,106	306,139	300,622
Unrestricted investment earnings.....	(4,794)	155,587	79,042	167,581	202,682	345,578	350,249	251,388	130,359	48,134
Transfers.....	779,026	593,478	526,948	614,794	461,194	477,936	349,556	457,850	420,820	435,534
Total general revenues, special items and transfers.....	18,007,318	17,034,470	16,411,363	15,632,420	15,742,974	16,823,220	15,708,460	15,530,669	14,667,703	12,592,202
Total revenues and transfers - governmental activities.....	30,663,295	29,390,621	29,413,919	27,840,126	25,919,998	25,492,371	24,378,025	23,604,580	22,616,205	20,534,024
Business-type activities:										
Program revenues:										
Charges for services:										
Unemployment insurance program..	899,368	1,136,677	1,031,602	953,711	475,032	440,848	464,411	541,386	590,805	528,238
Maryland Lottery and Gaming Control Agency.....	2,444,195	2,022,445	1,828,489	1,711,285	1,699,156	1,673,038	1,577,311	1,560,906	1,485,733	1,395,408
Maryland Transportation Authority	617,334	532,042	553,786	588,427	391,558	425,504	371,468	404,446	359,157	280,098
Other activities.....	337,214	307,914	327,854	359,204	366,916	346,494	333,621	274,918	242,337	203,462
Operating grants and contributions.....	591,706	917,219	880,345	1,015,645	390,988	57,635	25,995	27,020	26,206	129,991

STATE OF MARYLAND
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Income taxes.....	\$ 8,652,063	\$ 7,822,259	\$ 7,639,285	\$ 6,957,811	\$ 7,156,297	\$ 7,868,899	\$ 7,325,181	\$ 7,108,573	\$ 6,814,378	\$ 5,499,953
Retail sales and use taxes.....	4,114,462	4,076,729	3,896,876	3,754,326	3,851,752	3,748,933	3,447,896	3,382,851	3,153,676	2,945,060
Motor vehicle taxes and fees.....	2,072,571	1,988,153	1,913,570	1,796,769	1,787,144	1,920,460	1,995,525	1,996,645	2,045,021	1,805,796
Tobacco taxes.....	415,922	411,427	407,570	405,915	405,559	376,112	277,755	280,307	275,796	272,066
Insurance company taxes.....	429,410	428,023	392,287	382,569	369,479	469,144	390,026	356,816	311,591	260,137
Property taxes.....	990,061	994,439	1,043,943	1,009,768	968,892	1,026,592	1,010,513	1,142,071	1,000,405	838,976
Estate & inheritance taxes.....	258,978	221,206	241,576	196,002	229,723	261,987	242,208	238,462	198,272	167,590
Other taxes.....	293,031	296,068	302,421	294,752	293,391	311,048	309,883	302,106	306,139	300,621
Other licenses and fees.....	678,648	714,891	683,289	682,756	686,806	651,079	782,712	808,617	759,953	754,995
Charges for services.....	2,403,377	2,150,332	1,878,075	1,639,917	1,259,309	1,108,666	1,050,187	970,345	978,535	1,044,636
Revenues pledged as security for bonds*			95,057	89,521	66,098	77,541	70,563	70,593	70,875	52,255
Interest and other investment income.....	(89,273)	88,068	23,052	121,233	161,696	307,403	315,121	219,609	102,532	32,251
Federal.....	9,096,720	9,104,024	9,968,631	9,386,888	7,767,558	6,604,348	6,407,172	6,118,583	5,916,233	5,872,371
Other.....	474,867	405,263	309,902	413,762	377,127	214,755	240,671	108,689	331,224	162,748
Total revenues.....	29,790,837	28,700,883	28,795,534	27,131,989	25,380,831	24,946,967	23,865,413	23,104,267	22,264,630	20,009,455
Expenditures:										
Current:										
General government.....	884,048	836,112	775,370	762,488	757,186	729,788	716,958	738,472	703,466	627,626
Education.....	9,305,918	9,298,976	9,474,145	9,104,692	8,948,062	8,638,203	7,683,885	6,758,158	6,235,534	5,919,742
Business and economic development.....	69,425	75,835	79,284	74,578	90,892	94,503	65,774	56,374	57,287	58,259
Labor, licensing and regulation.....	304,289	261,615	246,700	226,118	182,751	166,848	164,255	154,607	166,787	174,047
Human resources.....	2,557,386	2,488,200	2,420,789	2,291,347	2,061,959	1,761,284	1,643,078	1,622,922	1,569,032	1,560,876
Health and mental hygiene.....	9,949,816	9,772,861	9,441,903	9,040,549	8,286,032	7,536,747	7,252,117	6,547,288	6,329,383	6,064,735
Environment.....	87,728	96,116	107,457	110,092	106,307	95,918	92,460	83,793	76,393	84,443
Transportation.....	1,468,019	1,472,418	1,228,659	1,422,084	1,333,618	1,262,973	1,219,507	1,121,714	1,273,622	1,143,520
Public safety.....	1,879,264	1,875,795	1,873,921	1,773,141	1,824,595	1,835,652	1,790,595	1,606,314	1,435,406	1,357,943
Judicial.....	594,522	590,082	577,333	556,908	585,778	556,056	527,618	490,861	462,568	434,135
Housing and community development.....	293,743	344,408	368,857	315,630	244,208	244,581	228,105	215,940	211,577	202,346
Natural resources and recreation.....	171,206	179,682	182,229	184,342	205,876	188,675	177,553	165,439	167,018	166,730
Agriculture.....	80,353	79,294	80,770	92,954	142,804	147,494	101,252	64,044	56,624	60,537
Intergovernmental.....	1,156,328	1,265,314	1,249,592	1,187,153	1,425,506	1,597,734	1,590,590	1,562,539	1,453,408	1,461,133

Debt service:													
Principal.....	673,639	645,024	598,265	560,348	536,050	497,300	473,985	485,635	464,650	424,925			
Interest.....	414,089	399,710	390,340	366,237	349,214	315,010	298,007	280,278	258,791	247,027			
Capital outlay.....	1,614,973	1,274,591	1,276,049	1,200,176	1,430,170	1,476,506	1,437,741	1,538,927	1,531,461	1,461,067			
Total expenditures.....	31,504,745	30,956,033	30,371,663	29,268,837	28,511,008	27,145,272	25,463,480	23,493,305	22,453,007	21,449,091			
Excess (deficiency) of revenues over expenditures.....	(1,713,908)	(2,255,150)	(1,576,129)	(2,136,848)	(3,130,177)	(2,198,305)	(1,598,067)	(389,038)	(188,377)	(1,439,636)			
Other financing sources (uses):													
Capital leases.....	32,311	23,440	53,334	15,472	27,945	31,185	56,860	121,197	154,434	145,455			
Proceeds from bond issues.....	1,389,203	1,375,297	1,058,166	1,477,837	1,318,718	1,071,403	831,193	904,907	937,480	898,818			
Other long-term liabilities.....						102	2,411	5,320		142,015			
Proceeds from refunding bonds.....	424,111	656,851		798,080	69,431				855,840	83,591			
Payments to escrow agents.....	(423,021)	(674,982)		(924,185)	(69,213)				(940,591)	(83,537)			
Transfers in.....	1,331,669	1,552,089	1,716,673	1,895,049	1,203,021	1,180,435	1,137,421	1,133,853	1,063,529	1,111,330			
Transfers out.....	(552,643)	(958,611)	(1,189,726)	(1,280,256)	(741,827)	(702,499)	(787,865)	(676,003)	(642,709)	(675,796)			
Net other sources (uses) of financial resources.....	2,201,630	1,974,084	1,638,447	1,981,997	1,808,075	1,580,626	1,240,020	1,489,274	1,440,304	1,621,876			
Net changes in fund balance.....	487,722	(281,066)	62,318	(154,851)	(1,322,102)	(617,679)	(358,047)	1,100,236	1,251,927	182,240			
Fund balance, beginning of the year.....	1,605,882	1,886,948	1,824,630	1,979,481	3,301,583	3,919,262	4,277,309	3,177,073	1,925,146	1,742,906			
Fund balance, end of the year.....	\$ 2,093,604	\$ 1,605,882	\$ 1,886,948	\$ 1,824,630	\$ 1,979,481	\$ 3,301,583	\$ 3,919,262	\$ 4,277,309	\$ 3,177,073	\$ 1,925,146			
Debt service as a percentage of noncapital expenditures.....	3.6%	3.5%	3.5%	3.4%	3.4%	3.3%	3.3%	3.6%	3.6%	3.5%			

* Beginning in fiscal year 2012, revenues pledged as security for bonds were reclassified to charges for services.

STATE OF MARYLAND
Personal Income Tax Filers by Subdivision
Tax Year Ended December 31, 2012

Subdivision	Number of Filers	Adjusted Gross Income	Net Taxable Income	State Income Tax(1)	Local Income Tax	State and Local Income Tax	Local Tax Rate
Allegany.....	22,045	\$ 1,138,135,446	\$ 868,421,906	\$ 38,941,357	\$ 25,658,286	\$ 64,599,642	3.05 %
Anne Arundel.....	212,316	19,468,905,566	15,691,797,663	733,345,841	387,106,107	1,120,451,948	2.46
Baltimore County.....	323,775	26,588,741,727	21,049,119,069	981,674,196	587,013,073	1,568,687,269	2.83
Calvert.....	34,050	2,918,397,820	2,278,960,886	371,418,201	252,402,908	623,821,109	2.80
Caroline.....	11,075	594,774,392	435,871,364	105,870,660	63,189,621	169,060,281	2.63
Carroll.....	64,595	5,347,606,849	4,218,663,564	18,454,711	11,046,998	29,501,709	3.05
Cecil.....	35,351	2,340,895,495	1,798,091,765	197,514,290	127,611,871	325,126,161	2.80
Charles.....	56,091	4,259,622,806	3,197,435,907	63,529,256	49,371,353	112,900,608	2.90
Dorchester.....	11,167	581,400,909	428,996,688	147,075,244	91,393,241	238,468,485	2.62
Frederick.....	92,784	7,580,661,129	5,950,432,287	18,681,814	10,744,267	29,426,080	2.96
Garrett.....	9,994	541,204,472	409,791,446	277,270,752	174,308,731	451,579,483	2.65
Harford.....	95,872	7,548,271,883	5,909,533,512	18,057,863	10,547,582	28,605,444	3.06
Howard.....	115,326	13,448,180,390	11,105,229,614	273,411,649	178,778,826	452,190,475	3.20
Kent.....	6,897	554,249,803	436,044,076	531,313,038	353,436,690	884,749,728	2.85
Montgomery.....	401,848	47,554,137,682	39,644,979,160	18,265,855	12,248,997	30,514,851	3.20
Prince George's.....	340,430	20,851,095,967	14,773,863,850	1,845,214,377	1,259,631,971	3,104,846,348	3.20
Queen Anne's.....	17,898	1,539,703,706	1,203,047,540	663,037,133	460,079,703	1,123,116,836	3.20
St. Mary's.....	38,987	3,105,825,072	2,449,089,931	55,100,677	38,097,643	93,198,321	3.00
Somerset.....	6,171	284,039,769	202,432,581	113,533,903	72,621,152	186,155,055	3.15
Talbot.....	14,370	1,394,066,465	1,124,865,958	8,620,503	6,009,909	14,630,412	2.25
Washington.....	52,460	3,155,039,454	2,410,460,922	51,652,571	25,013,072	76,665,643	2.80
Wicomico.....	33,083	1,815,705,483	1,360,750,895	109,644,757	65,808,126	175,452,882	3.10
Worcester.....	20,440	1,299,138,236	994,950,253	57,847,085	40,537,015	98,384,100	1.25
Baltimore City.....	194,966	10,873,121,422	8,255,812,351	43,469,925	12,174,791	55,644,716	3.20
Non-resident.....	90,081	11,913,135,553	11,171,411,458	358,946,249		358,946,249	
	2,302,072	\$ 196,696,057,496	\$ 157,370,054,646	\$ 7,101,891,906	\$ 4,314,831,932	\$ 11,416,723,838	

(1) See State personal income tax rates schedules for tax rate information.

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND

**State Personal Income Tax and Sales Tax Rates
Calendar Years 2012-2013***

Filing Status, Single:		Married Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
\$3,000 - \$100,000	4.75%	\$3,001 - \$150,000	4.75%
\$100,001 - \$125,000	5.00%	\$150,001 - \$175,000	5.00%
\$125,001 - \$150,000	5.25%	\$175,001 - \$225,000	5.25%
\$150,001 - \$250,000	5.50%	\$225,001 - \$300,000	5.50%
Over \$250,000	5.75%	Over \$300,000	5.75%

Sales Tax Rate: 6%

*Rates effective January 1, 2012

**State Personal Income Tax and Sales Tax Rates
Calendar Years 2008 – 2011***

Filing Status, Single:		Married Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
\$3,000 - \$150,000	4.75%	\$3,000 - \$200,000	4.75%
\$150,001 - \$300,000	5.00%	\$200,001 - \$350,000	5.00%
\$300,001 - \$500,000	5.25%	\$350,001 - \$500,000	5.25%
\$500,001 - \$1,000,000	5.50%	\$500,001 - \$1,000,000	5.50%
Over \$1,000,000	6.25%**	Over \$1,000,000	6.25%**

Sales Tax Rate: 6%

*Rates effective January 1, 2008

**Rates for calendar year 2011 were 5.50%

**State Personal Income Tax and Sales Tax Rates
Calendar Years 2004 – 2007**

Personal Income Tax Rate

Year	1 st \$1,000 of Net Taxable Income	2 nd \$1,000 of Net Taxable Income	3 rd \$1,000 of Net Taxable Income	In excess \$3,000 of Net Taxable Income	Sales Tax Rate
2007	2%	3%	4%	4.75%	5%
2006	2	3	4	4.75	5
2005	2	3	4	4.75	5
2004	2	3	4	4.75	5

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st
(Dollars, except income level, Expressed in Thousands)

2012

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
\$500,000 and higher	24,255	1.06 %	\$ 1,533,202	21.59 %
\$100,000-\$499,999	493,577	21.44	3,281,446	46.21
\$70,000-\$99,999	307,641	13.36	884,705	12.46
\$50,000-\$69,999	311,773	13.54	605,169	8.52
\$25,000-\$49,999	615,541	26.74	608,132	8.56
\$10,000-\$24,999	470,011	20.42	175,568	2.47
Under \$10,000	79,274	3.44	13,671	0.19
Total	2,302,072	100.00 %	\$ 7,101,893	100.00 %

2010

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
\$500,000 and higher	19,031	0.87 %	\$ 1,103,398	18.00 %
\$100,000-\$499,999	460,144	20.77	2,872,843	46.86
\$70,000-\$99,999	297,568	13.43	829,513	13.53
\$50,000-\$69,999	306,283	13.82	577,222	9.42
\$25,000-\$49,999	605,480	27.33	590,450	9.63
\$10,000-\$24,999	454,672	20.53	149,735	2.44
Under \$10,000	72,525	3.27	7,087	0.12
Total	2,215,703	100.00 %	\$ 6,130,248	100.00 %

2008

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
\$500,000 and higher	18,490	0.84 %	\$ 1,203,268	19.89 %
\$100,000-\$499,999	436,125	19.76	2,680,009	44.29
\$70,000-\$99,999	299,054	13.55	817,229	13.51
\$50,000-\$69,999	309,460	14.02	569,793	9.42
\$25,000-\$49,999	619,265	28.05	619,216	10.23
\$10,000-\$24,999	445,300	20.17	152,357	2.52
Under \$10,000	79,781	3.61	8,570	0.14
Total	2,207,475	100.00 %	\$ 6,050,442	100.00 %

2011

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
\$500,000 and higher	20,027	0.90 %	\$ 1,074,619	17.05 %
\$100,000-\$499,999	475,139	21.15	3,020,394	47.91
\$70,000-\$99,999	301,920	13.44	854,629	13.56
\$50,000-\$69,999	309,545	13.78	591,156	9.38
\$25,000-\$49,999	609,707	27.15	599,435	9.51
\$10,000-\$24,999	461,729	20.57	152,585	2.42
Under \$10,000	68,009	3.03	11,115	0.18
Total	2,246,076	100.00 %	\$ 6,303,934	100.00 %

2009

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
\$500,000 and higher	16,589	0.77 %	\$ 901,111	15.76 %
\$100,000-\$499,999	440,514	20.33	2,700,374	47.24
\$70,000-\$99,999	294,317	13.58	810,590	14.18
\$50,000-\$69,999	305,438	14.09	567,707	9.93
\$25,000-\$49,999	601,213	27.74	585,150	10.24
\$10,000-\$24,999	440,498	20.33	144,875	2.53
Under \$10,000	68,464	3.16	6,709	0.12
Total	2,167,033	100.00 %	\$ 5,716,516	100.00 %

2007

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
\$500,000 and higher	22,546	0.98 %	\$ 1,343,286	21.49 %
\$100,000-\$499,999	422,874	18.43	2,619,517	41.92
\$70,000-\$99,999	299,022	13.04	839,000	13.43
\$50,000-\$69,999	310,886	13.55	591,121	9.46
\$25,000-\$49,999	636,783	27.76	669,599	10.71
\$10,000-\$24,999	482,515	21.03	174,561	2.79
Under \$10,000	119,277	5.20	12,218	0.20
Total	2,293,903	100.00 %	\$ 6,249,302	100.00 %

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st

(Dollars, except income level, Expressed in Thousands)
(continued)

2006

	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	20,188	0.89 %	\$ 1,187,583	20.42 %
\$100,000-\$499,999	386,236	17.07	2,379,534	40.91
\$70,000-\$99,999	290,471	12.83	818,732	14.08
\$50,000-\$69,999	303,484	13.41	577,995	9.94
\$25,000-\$49,999	637,570	28.17	666,375	11.46
\$10,000-\$24,999	501,656	22.16	172,923	2.97
Under \$10,000	123,697	5.47	13,275	0.23
Total	2,263,302	100.00 %	\$ 5,816,417	100.00 %

2004

	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$100,000 and higher	322,388	15.04 %	\$ 2,473,983	53.06 %
\$75,000-\$99,999	213,573	9.96	638,382	13.69
\$50,000-\$74,999	347,875	16.23	703,769	15.09
\$25,000-\$49,999	626,618	29.23	661,464	14.19
\$10,000-\$24,999	507,779	23.69	171,094	3.67
Under \$10,000	125,426	5.85	13,758	0.30
Total	2,143,659	100.00 %	\$ 4,662,450	100.00 %

2005

	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	18,394	0.82 %	\$ 1,064,405	19.41 %
\$100,000-\$499,999	354,202	15.84	2,185,588	39.85
\$75,000-\$99,999	282,940	12.66	804,574	14.67
\$50,000-\$74,999	298,942	13.37	573,615	10.46
\$25,000-\$49,999	636,912	28.49	667,108	12.16
\$10,000-\$24,999	511,948	22.90	174,268	3.18
Under \$10,000	132,317	5.92	14,411	0.26
Total	2,235,655	100.00 %	\$ 5,483,969	100.00 %

2003

	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$100,000 and higher	289,448	13.75 %	\$ 2,107,257	49.48 %
\$75,000-\$99,999	205,607	9.77	611,558	14.36
\$50,000-\$74,999	345,285	16.40	695,499	16.33
\$25,000-\$49,999	626,336	29.76	660,343	15.51
\$10,000-\$24,999	513,506	24.40	170,481	4.00
Under \$10,000	124,623	5.92	13,594	0.32
Total	2,104,805	100.00 %	\$ 4,258,732	100.00 %

Source: Revenue Administration Division, Comptroller's Office

STATE OF MARYLAND
Sales and Use Tax Receipts by Principal Type of Business
Last Ten Fiscal Years
(Expressed in Thousands)

Year	Food and Beverage*	Apparel	General Merchandise	Automotive	Furniture and Appliances	Building & Industrial Supplies	Utilities & Transportation	Hardware, Machinery & Equipment	Miscellaneous	Assessment Collections	Total Collections
2013.....	\$ 1,011,944	\$ 197,086	\$ 754,822	\$ 266,675	\$ 315,902	\$ 501,287	\$ 354,509	\$ 98,914	\$ 605,375	\$ 7,783	\$ 4,114,297
2012.....	1,013,589	193,049	736,119	268,506	330,226	485,588	349,284	100,832	582,760	16,627	4,076,580
2011.....	891,267	187,014	716,226	259,052	343,897	467,156	367,543	94,654	559,420	10,470	3,896,699
2010.....	864,941	189,057	705,121	239,813	347,243	445,706	370,435	92,241	484,910	14,310	3,753,777
2009.....	851,038	188,931	705,193	252,973	362,374	483,384	404,219	97,355	489,672	16,153	3,851,292
2008.....	776,466	181,302	672,024	249,506	387,590	517,452	356,747	100,922	481,478	25,435	3,748,922
2007.....	689,279	167,918	612,937	234,898	380,999	504,516	316,600	91,628	432,831	16,233	3,447,839
2006.....	664,654	158,839	601,431	230,753	380,642	530,214	284,661	88,754	418,491	23,257	3,381,696
2005.....	624,292	151,837	568,018	221,341	360,580	475,135	254,860	84,498	390,889	22,226	3,153,676
2004.....	591,744	144,961	538,364	216,385	333,307	417,729	231,099	78,351	387,780	29,721	2,969,441

Source: Revenue Administration Division, Comptroller's Office

*The 2011 Session of the Maryland General Assembly approved legislation increasing the sales tax on alcoholic beverages from 6% to 9% effective fiscal year 2012.

STATE OF MARYLAND
Schedule of Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars Expressed in Thousands except Per Capita)

Fiscal Year	General Bonded Debt				Other Governmental Activities Debt				Debt Ratios, Governmental Activities			Business-Type Activities Debt			Total		Debt Ratios, Primary Government		
	General Obligation Bonds	Transportation Bonds	Capital Leases	Transportation Debt/Other Liabilities(2)	Capital Leases with Component Units	Total Governmental Activities Debt	Percentage of Personal Income(1)	Per Capita (1)	Revenue Bonds	Capital Leases	Business-Type Activities Debt	Total Primary Government Debt	Percentage of Personal Income(1)	Per Capita(1)	Total Business-Type Activities Debt	Primary Government Debt	Percentage of Personal Income(1)	Per Capita(1)	
2013	\$ 8,005,802	\$ 1,618,290	\$ 766,393		\$ 186,706	\$ 10,577,191	3.34 %	\$1,797	\$ 6,220,872	\$ 31,024	\$ 6,251,896	\$ 16,829,087	5.31 %	\$2,860	\$ 6,251,896	\$ 16,829,087	5.31 %	\$2,860	
2012	7,541,102	1,562,630	755,653		210,676	10,070,061	3.41	1,728	6,377,228	56,212	6,433,440	16,503,501	5.59	2,832	6,433,440	16,503,501	5.59	2,832	
2011	6,982,846	1,561,840	755,778		214,590	9,515,054	3.35	1,645	6,504,780	44,886	6,549,666	16,064,720	5.66	2,776	6,549,666	16,064,720	5.66	2,776	
2010	6,523,222	1,645,010	798,201		232,762	9,199,195	3.31	1,614	6,161,633	5,261	6,166,894	15,366,089	5.53	2,696	6,166,894	15,366,089	5.53	2,696	
2009	5,873,643	1,582,605	848,208		250,407	8,554,863	3.14	1,519	5,422,501	5,748	5,428,249	13,983,112	5.13	2,482	5,428,249	13,983,112	5.13	2,482	
2008	5,493,830	1,268,815	515,134	\$ 373,319	265,767	7,916,865	3.02	1,409	5,041,339	648	5,041,987	12,958,852	4.94	2,307	5,041,987	12,958,852	4.94	2,307	
2007	5,142,154	1,111,050	535,482	391,029	278,265	7,457,980	3.03	1,331	4,140,383	1,124	4,141,507	11,599,487	4.70	2,071	4,141,507	11,599,487	4.70	2,071	
2006	4,868,472	1,079,340	519,592	404,320	293,140	7,164,864	3.08	1,286	2,882,855	1,256	2,884,111	10,048,975	4.31	1,803	2,884,111	10,048,975	4.31	1,803	
2005	4,511,826	1,071,620	440,236	409,587	304,220	6,737,489	3.06	1,217	2,825,315	1,673	2,826,988	9,564,477	4.34	1,727	2,826,988	9,564,477	4.34	1,727	
2004	4,102,278	1,188,090	345,028	400,813	303,901	6,340,110	3.08	1,154	2,935,711	3,132	2,938,843	9,278,953	4.51	1,689	2,938,843	9,278,953	4.51	1,689	

Source: General Accounting Division, State Comptroller's Office

(1) Population and personal income data can be found in the Schedule of Demographics Statistics.

(2) Transportation debt/other liabilities was reclassified as capital leases beginning in fiscal year 2009.

STATE OF MARYLAND
Ratio of General Bonded Debt
To Actual Value and General Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	<i>(Expressed in Thousands)</i>			Ratio of General Bonded Debt to Actual Property Value	General Bonded Debt per Capita
	Estimated Population (1)	Estimated Property Value	General Bonded Debt (2)		
2013	5,885	\$ 641,751,347	\$ 8,005,802	1.25 %	\$ 1,360
2012	5,828	653,376,073	7,541,102	1.15	1,294
2011	5,786	689,329,692	6,982,846	1.01	1,207
2010	5,699	731,809,178	6,523,222	0.89	1,145
2009	5,634	707,573,095	5,873,643	0.83	1,043
2008	5,618	633,453,169	5,493,830	0.87	978
2007	5,602	527,012,375	5,142,154	0.98	918
2006	5,573	452,249,831	4,868,472	1.08	874
2005	5,537	398,065,083	4,511,826	1.13	815
2004	5,494	361,689,307	4,102,278	1.13	747

Source: The Sixtieth through Sixty-ninth Report of the State Department Assessments and Taxation and the State Comptroller's Office.

(1) See Schedule of Demographic Statistics.

(2) Includes general obligation bonds. The primary revenue source to pay the debt service for general obligation bonds is property taxes.

STATE OF MARYLAND
Legal Debt Margin Information
Last Ten Fiscal Years
(Expressed in Thousands)

Legal Debt Margin Calculation for Fiscal Year 2013

Debt Limit(1).....	\$ 13,169,535
Debt applicable to limit:	
General obligation bonds.....	8,005,802
Transportation bonds.....	1,618,290
Nontraditional Transportation debt (2)	805,396
Less amounts set aside for replacement of:	
General obligation debt.....	235,643
Transportation debt.....	160,719
Total net debt applicable to limit.....	<u>10,033,126</u>
Legal debt margin.....	<u>\$ 3,136,409</u>

	Year ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt limit.....	\$ 13,169,535	\$ 12,388,337	\$ 11,790,027	\$ 11,410,017	\$ 9,822,844	\$ 9,780,943	\$ 9,064,691	\$ 8,730,531	\$ 7,819,314	\$ 7,301,732
Total net debt applicable to limit.....	10,033,126	9,438,132	8,948,851	8,658,167	8,015,376	7,400,792	6,924,327	6,572,782	5,463,019	5,212,769
Legal debt margin.....	<u>\$ 3,136,409</u>	<u>\$ 2,950,205</u>	<u>\$ 2,841,176</u>	<u>\$ 2,751,850</u>	<u>\$ 1,807,468</u>	<u>\$ 2,380,151</u>	<u>\$ 2,140,364</u>	<u>\$ 2,157,749</u>	<u>\$ 2,356,295</u>	<u>\$ 2,088,963</u>
Total net debt applicable to limit as a percentage of debt limit.....	76.18%	76.19%	75.90%	75.88%	81.60%	75.67%	76.39%	75.29%	69.87%	71.39%

Source: General Accounting Division, State Comptroller's Office

(1) For general obligation bonds, the debt limit is based on separate enabling acts for particular objects or purposes that are enacted during each legislative session. There is no separately mandated maximum amount for the issuance of general obligation bonds. For transportation bonds, the General Assembly each year establishes a maximum aggregate outstanding amount that does not exceed \$1,500,000,000, up to June 30, 2004, does not exceed \$2,000,000,000, up to June 30, 2007, and does not exceed \$2,600,000,000, through June 30, 2009 and thereafter.

(2) The 2012 session of the General Assembly established a maximum outstanding principal amount of \$889,800,000 as of June 30, 2013, for all nontraditional debt of the Department.

Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond. This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department.

STATE OF MARYLAND
Schedule of Taxes Pledged to Consolidated Transportation Bonds and Net Revenues as
Defined for Purposes of Consolidated Transportation Bonds Coverage Tests
Last Ten Fiscal Years
(Expressed in Thousands)

	Year ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Taxes and fees:										
Taxes pledged to bonds (4)(5).....	\$ 1,382,135	\$ 1,277,770	\$ 1,300,022	\$ 1,244,280	\$ 1,234,750	\$ 1,139,321	\$ 1,196,568	\$ 1,221,720	\$ 1,220,851	\$ 1,145,048
Other taxes and fees (1)(2).....	572,894	475,561	439,657	415,409	418,734	404,082	410,614	391,618	381,516	112,305
Total taxes and fees	1,955,029	1,753,331	1,739,679	1,659,689	1,653,484	1,543,403	1,607,182	1,613,338	1,602,367	1,257,353
Operating Revenues.....	407,187	402,056	390,547	388,587	392,772	395,003	369,241	340,742	328,273	339,635
Investment income.....	30,785	40,015	60,458	394	3,996	3,683	10,574	8,211	4,928	3,374
Other(3).....	758	2,750	1,004	(3,600)	(3,666)	4	39,836	87,640	75,902	90,943
Total revenues.....	2,393,759	2,198,152	2,191,688	2,045,070	2,046,586	1,942,093	2,026,833	2,049,931	2,011,470	1,691,305
Administration, operation and maintenance expenditures.....	1,638,407	1,572,181	1,547,339	1,582,578	1,526,965	1,488,310	1,396,872	1,302,582	1,237,446	1,177,889
Less: Federal funds.....	(72,397)	(92,737)	(90,733)	(90,761)	(93,729)	(79,228)	(72,598)	(70,828)	(79,892)	(76,503)
Total.....	1,566,010	1,479,444	1,456,606	1,491,817	1,433,236	1,409,082	1,324,274	1,231,754	1,157,554	1,101,386
Net revenues.....	\$ 827,749	\$ 718,708	\$ 735,082	\$ 553,253	\$ 613,350	\$ 533,011	\$ 702,559	\$ 818,177	\$ 853,916	\$ 589,919
Maximum annual principal and interest requirements.....	\$ 237,394	\$ 219,765	\$ 210,714	\$ 210,714	\$ 197,281	\$ 153,661	\$ 129,550	\$ 121,412	\$ 141,172	\$ 169,655
Ratio of net revenues to maximum annual principal and interest requirements.....	3.49	3.27	3.49	2.63	3.11	3.47	5.42	6.74	6.05	3.48
Ratio of taxes pledged to bonds to maximum annual principal and interest requirements.....	5.82	5.81	6.17	5.91	6.26	7.41	9.24	10.06	8.65	6.75

Source: The Maryland Department of Transportation, The Secretary's Office, Office of Finance.

- (1) The 2003 Session of the Maryland General Assembly approved legislation (HB 935) requiring the deposit of \$154,900,000, in FY 2004 in the State's General Fund.
- (2) The 2004 Session of the Maryland General Assembly approved legislation increasing Vehicle Registration Fees.
- (3) 2007 was the last year for the transfer of \$43,000,000 from Maryland Transportation Authority to the Transportation Trust Fund.
- (4) The 2007 Special Session of the Maryland General Assembly approved legislation to increase the State's sales tax and the Vehicle Excise Tax (Tiling tax) from 5% to 6%, effective January 1, 2008. In addition, effective July 1, 2008, the percentage of Tiling Tax retained by the Department was increased from 76% to 86.7%.
- (5) The 2011 Session of the Maryland General Assembly approved legislation (HB 72) requiring the transfer from the Transportation Trust Fund of \$40,000,000 of the Department's share of Highway User Revenues to the Revenue Stabilization Account in fiscal year 2012.

STATE OF MARYLAND
Ratio of Pledged Assets to
Revenue Bonds, Community Development Administration
Last Ten Fiscal Years
(Expressed in Thousands)

		Pledged Assets (1)	Revenue Bonds Payable	Ratio of Pledged Assets to Revenue Bonds
2013	\$	3,311,864	\$ 2,766,326	1.20
2012		3,542,214	2,926,149	1.21
2011		3,627,287	3,047,472	1.19
2010		3,717,989	3,136,883	1.19
2009		3,517,631	2,983,490	1.18
2008		3,489,271	2,971,219	1.17
2007		3,497,373	3,016,848	1.16
2006		2,476,342	2,040,485	1.21
2005		2,439,264	1,973,583	1.24
2004		2,643,756	2,211,905	1.20

- (1) Bonds and notes issued by the Community Development Administration (CDA) are special obligations of CDA and are payable solely from the revenues of the applicable mortgage loan programs. Assets, principally mortgage loans, and program revenues are pledged as collateral for the revenue bonds.

STATE OF MARYLAND
Schedule of Demographic Statistics
Last Ten Years

	Population (1)	Total Personal Income (2) (Expressed in Thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2013	5,884,563	\$ 316,681,620	\$ 53,816	992,828	6.8 %
2012	5,828,289	295,235,516	50,656	961,486	6.8
2011	5,785,982	283,919,505	49,070	993,996	7.2
2010	5,699,478	278,026,000	48,781	984,134	7.4
2009	5,633,597	272,542,169	48,378	975,861	5.9
2008	5,618,899	264,367,477	47,050	1,024,803	3.7
2007	5,602,258	252,780,827	45,121	1,036,523	3.9
2006	5,575,552	237,522,127	42,601	1,050,627	3.8
2005	5,538,989	225,022,781	40,625	1,053,378	4.2
2004	5,495,009	209,373,672	38,103	1,056,520	4.3

Sources:

- (1) U.S. Census Bureau, "Intercensal Estimates of the Resident Population for States", April 1, 2000 - July 1, 2010, revised June 27, 2013. Estimates for the calendar year except that the current year amount is a projected estimate for the year.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis. Data for all years based on revised statistics of state personal income released on September 30, 2013. All estimates of state personal income are subject to BEA's flexible annual revision schedule.
- (3) Figures are for the calendar year. State Department of Education, grades pre-kindergarten thru grade 12. Includes public and nonpublic schools. 2013 data for nonpublic schools is incomplete.
- (4) Figures are for the fiscal year. State Department of Labor, Licensing and Regulation.

STATE OF MARYLAND
Schedule of Employment by Sector
Prior Year and Nine Years Prior

	Calendar Year 2012 (1)			Calendar Year 2003 (2)		
	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker
Government:						
State and local.....	341,848	\$ 17,210,112	\$ 968	322,194	\$ 12,787,199	\$ 763
Federal.....	146,354	13,436,494	1,766	128,264	8,590,008	1,288
Total government.....	488,202	30,646,606	1,207	450,458	21,377,207	913
Manufacturing.....	109,068	7,508,192	1,324	147,798	7,439,767	968
Natural resources and mining.....	6,926	261,320	726	6,440	192,678	575
Construction.....	143,303	8,009,679	1,075	167,495	7,079,188	813
Trade, transportation, and utilities.....	444,972	18,489,882	799	458,526	15,470,384	649
Information services.....	39,804	3,123,489	1,509	50,365	2,915,563	1,113
Financial activities.....	137,521	11,079,360	1,549	156,231	8,851,511	1,090
Professional and business services.....	409,726	29,184,127	1,370	360,676	17,255,985	920
Education and health services.....	400,436	19,418,139	933	326,564	12,210,159	719
Leisure and hospitality.....	244,213	4,883,054	385	218,993	3,731,168	328
Unclassified and other services.....	89,994	3,202,023	684	90,934	2,533,574	536
Total of all sectors.....	2,514,165	\$ 135,805,871	\$ 1,039	2,434,480	\$ 99,057,184	\$ 782

(1) Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information Publications "Employment and Payroll 2012 Annual Averages" issued July, 2013. This report reflects the new North American Industry Classification System (NAICS) coding revisions.

(2) Source: DLLR Website - <http://dllr.maryland.gov/lmi/emppay/md2003ep.shtml>

STATE OF MARYLAND
Maryland's Ten Largest Private Employers*

Calendar Years		
Employer (Listed Alphabetically)		
2013, 2012 and 2011	2010 and 2009	2008
Giant Food Stores	Adventist Healthcare	Giant Food of Maryland LLC
Helix Health System Inc.	Giant Food of Maryland LLC	Helix Health System Inc.
Home Depot USA Inc.	Helix Health Systems Inc.	Home Depot USA Inc.
Johns Hopkins Hospital	Johns Hopkins Hospital	Johns Hopkins Hospital
Johns Hopkins University	Johns Hopkins University	Johns Hopkins University
Northrop Grumman Corporation	Northrop Grumman Corporation	Northrop Grumman Corporation
Safeway Inc.	Safeway Inc.	Safeway Inc.
Target	Target	University of Maryland Medical System
University of Maryland Medical System	University of Maryland Medical System	United Parcel Service
Walmart	Walmart	Walmart
2007	2006 and 2005	2004
Giant of Maryland LLC	Giant of Maryland LLC	Giant of Maryland LLC
Helix Health System Inc.	Helix Health System Inc.	Helix Health System Inc.
Home Depot USA Inc.	Home Depot USA Inc.	Home Depot USA Inc.
Johns Hopkins Hospital	Johns Hopkins Hospital	Johns Hopkins Hospital
Johns Hopkins University	Johns Hopkins University	Johns Hopkins University
Macy's	Northrop Grumman Corporation	Northrop Grumman Corporation
Northrop Grumman Corporation	Safeway Inc.	Safeway Inc.
Safeway Inc.	Target	United Parcel Service
United Parcel Service	United Parcel Service	Verizon Maryland Inc.
Walmart	Walmart	Walmart

Source: Department of Labor, Licensing and Regulation; Office of Labor Market
Analysis and Information - Major Employer List - March 2013

* Information such as the number of employees or the employers' percentage
of total employment is not available for disclosure.

STATE OF MARYLAND
State Employees by Function/Program
Last Ten Fiscal Years

	Year ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
State Employees:										
Governmental activities:										
General government	5,396	5,487	5,479	5,695	5,813	5,770	5,712	5,656	5,493	5,604
Health and mental hygiene	9,743	9,929	9,459	10,103	10,880	11,441	11,661	11,668	11,633	11,815
Education.....	2,253	2,227	2,162	2,250	2,450	2,445	2,504	2,425	2,295	2,180
Human resources.....	6,149	6,268	6,327	6,456	6,503	6,605	6,713	6,767	6,910	6,852
Public safety	15,443	15,625	15,547	15,759	16,311	15,791	15,603	15,307	15,207	15,356
Transportation	6,095	6,201	6,137	6,405	6,638	6,572	6,518	6,523	6,599	6,799
Judicial	5,937	5,905	5,935	5,854	6,109	5,982	5,851	5,744	5,496	5,387
Labor, licensing and regulation	1,793	1,906	1,962	1,879	1,662	1,644	1,682	1,647	1,667	1,691
Natural resources and recreation	2,049	2,100	2,135	2,111	2,104	2,070	2,008	1,970	2,028	2,076
Housing and community development.....	386	385	268	274	246	209	228	256	262	254
Environment	931	927	958	1,000	960	913	926	922	901	907
Agriculture	446	436	450	482	482	511	481	499	500	516
Business and economic development.....	169	170	167	163	228	275	295	340	307	303
Total governmental activities employees.....	56,790	57,566	56,986	58,431	60,386	60,228	60,182	59,724	59,298	59,740
Business-type activities:										
Economic development - insurance programs.	265	268	266	262	237	208	201	210	201	205
Maryland Lottery and Gaming Control Agency..	248	215	200	181	189	183	185	183	169	177
Maryland Transportation Authority.....	1,644	1,681	1,650	1,660	1,652	1,652	1,594	1,502	1,503	1,562
Maryland Correctional Enterprises	183	194	184	200	204	201	184	187	164	159
Total business-type employees.....	2,340	2,358	2,300	2,303	2,282	2,244	2,164	2,082	2,037	2,103
Total primary government employees.....	59,130	59,924	59,286	60,734	62,668	62,472	62,346	61,806	61,335	61,843
Component Units:										
Higher Education	41,676	39,005	39,259	39,411	38,985	37,988	36,132	34,882	39,388	34,397
Prepaid College Trust*	17	14	15	17	16	16	16			
Stadium Authority.....	123	112	112	108	117	108	120	98	93	97
Other component units	27	29	29	28	24	24	27	42	59	41
Total component units employees.....	41,843	39,160	39,415	39,564	39,142	38,136	36,295	35,022	39,540	34,535

Source: Central Payroll Bureau, State Comptroller's Office

* Information for prior years is included in the total for "Other Component Units".

STATE OF MARYLAND

Schedule of Miscellaneous, Operating and Capital Asset Statistics by Function Last Ten Fiscal Years

Date of Ratification.....	1788									
Form of Government.....	Legislative - Executive - Judicial									
Land Area.....	9844 square miles									
Function/Program	2013(1)	2012	2011	2010	2009	2008	2007	2006	2005	2004
Education, Public School Enrollment.....	823,452	821,106	817,610	814,609	815,742	823,732	827,596	829,007	828,961	821,984
Health and Human Resources:										
Medicaid Enrollment.....	834,587	810,593	764,500	676,187	569,964	532,082	520,436	629,500	638,085	502,860
Children's Health Program Enrollment.....	111,379	103,011	98,000	97,998	105,617	108,504	105,999	103,260	95,019	98,420
WIC Food Program Recipients.....	153,000	146,787	155,000	148,670	144,072	132,483	121,471	113,100	108,574	106,060
Mental Hygiene Clients.....	163,500	159,124	152,953	122,046	111,678	99,382	93,933	92,715	92,608	90,849
Public Assistance Caseload (AFDC/TANF).....	68,737	72,413	67,422	67,422	58,426	51,554	50,149	57,589	65,782	70,745
Foster Care and Subsidized Adoption Average Caseload.....	15,100	14,230	15,297	15,093	14,235	14,839	13,806	13,956	14,762	15,028
Public Safety:										
Correctional Institutions Average Daily Population.....	25,958	25,450	21,159	20,891	22,778	22,943	21,680	26,475	26,938	27,933
Parole and Probation, Active Cases under Supervision.....	50,975	50,982	55,200	54,939	54,484	48,600	52,147	49,244	50,112	50,127
Youth Residential Programs, Average Daily Population.....	1,201	1,304	1,468	1,406	1,519	1,625	1,646	1,728	1,747	2,039
Average Monthly number of Youths on Probation.....	3,375	3,375	5,015	5,015	6,760	6,610	6,247	6,568	6,765	6,840
Public Safety (State Police):										
Number of Police Stations.....	25	25	25	25	26	26	26	26	26	26
Number of State Police.....	1,562	1,563	1,565	1,565	1,567	1,590	1,591	1,591	1,593	1,596
Motor Vehicle citations (calendar year).....	352,898	336,094	348,459	381,915	390,100	446,505	430,284	462,252	482,219	459,272
Motor Vehicle - Number of Collisions (calendar year).....	88,678	89,285	102,000	90,517	98,352	100,700	100,707	101,785	102,546	101,858
Judicial, Total Filings.....	NA	2,056,603	2,105,728	2,155,864	2,208,268	2,363,183	2,383,668	2,410,038	2,422,466	2,418,359
Transportation:										
Miles of State Highway.....	5,264	5,266	5,254	5,244	5,240	5,242	5,241	5,235	5,234	5,235
Lane Miles Maintained.....	17,050	17,042	16,988	16,961	16,895	16,857	16,787	16,731	16,717	16,680
Expenditures per Lane Mile.....	\$ 8,655	\$ 8,618	\$ 8,171	\$ 7,572	\$ 8,913	\$ 8,764	\$ 8,990	\$ 7,812	\$ 7,957	\$ 8,039
Number of Bridges(2).....	1,434	1,182	1,183	1,180	1,180	1,176	1,155	1,155	1,155	1,157
Motor Vehicle Registrations.....	5.2 million	4.9 million	5.0 million	4.8 million	4.6 million	4.8 million	5.0 million	5.1 million	5.0 million	4.9 million
BWI Airport Passengers (calendar year).....	23.2 million	22.8 million	22.5 million	21.7 million	19.6 million	20.4 million	20.8 million	19.7 million	19.1 million	20.5 million
Acres Agricultural Land Preserved - all programs.....	574,838	572,680	563,482	554,285	534,906	482,236	482,236	459,871	430,000	N/A
Department of Housing and Community Development:										
Active Single Family/Multifamily Bond Financed Loans(4).....	15,426	16,796	16,456	16,405	16,906	16,648	14,250	12,213	13,769	15,986
Department of Business and Economic Development:										
Number of businesses assisted(3).....	9	13	17	24	50	428	1,600	1,600	1,146	1,094
Number of workers trained.....	79	262	637	547	1,007	2,710	7,417	12,425	9,694	9,101
Higher Education (Universities, Colleges and Community Colleges):										
Number of Campuses in State.....	29	29	29	29	29	29	29	29	29	29
Number of Educators(5).....	8,271	9,892	9,671	9,421	9,190	9,224	9,021	8,711	8,606	8,432
Number of Students.....	302,115	298,273	286,106	280,196	269,287	263,636	255,969	256,580	251,984	246,794
Number of State Scholarships Awarded(6).....	45,212	40,485	65,544	52,965	58,935	58,552	56,495	52,576	47,025	44,851
Recreation:										
Number of State Parks and Forests.....	66	66	65	65	64	61	58	60	60	61
State Parks Daily Visitors.....	11.2 million	11.8 million	10.5 million	10.1 million	10.7 million	11.3 million	11.3 million	11.1 million	11.5 million	9.9 million
Area of State Parks, Acres.....	96,130	95,199	95,196	94,729	94,520	93,972	93,683	93,661	93,661	97,362
Area of State Forests, Acres.....	143,430	142,979	142,058	141,789	141,434	140,433	138,587	136,093	136,093	135,951

- (1) These amounts are estimates.
- (2) Maryland's portion of the National Highway System was expanded in 2013 due to Federal Highway Legislation.
- (3) Restructuring of training programs in 2009 has led to reduced funding for the Partnership for Workforce Quality Program (PWQ).
- (4) CDA relies completely on the reporting of two different Master Servicers on the underlying loans that comprise the Mortgage-backed securities held by CDA at fiscal year end.
- (5) Large reduction of faculty count is due to exclusion of faculty at Clinical Medicine at UMB, faculty at extension services, and continuing education faculty beginning in 2013.
- (6) Legislative scholarships are not included due to a change in awarding practices begun in FY 2012.

Sources: State Comptroller's Office, General Accounting Division, Central Payroll Bureau, www.mdarchives.state.md.us/msa/mdmanual, Maryland Budget, Department of Budget and Management, Department of Natural Resources, and the State Highway Administration of Maryland.



Financial
SCHEDULES
Required by Law

These schedules are required to be submitted by the Comptroller by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland.



STATE OF MARYLAND

Schedule of Estimated and Actual Revenues By Source, Budgetary Basis, for the Year Ended June 30, 2013

(Expressed in Thousands)

	Annual Budgeted Funds												Total Actual Revenues
	General Fund			Special Fund		Federal Fund		Higher Education Funds		Capital Projects Fund			
	Estimated Revenues	Actual Revenues		Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Current		Restricted Fund			
								Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues		
Taxes:													
Property tax		\$ 2,167	\$ 891,703									\$ 893,870	
Franchise and corporation tax	\$ 121,430	123,540										123,540	
Death taxes	217,814	234,615										234,615	
Admission and amusement tax	7,602	7,576	4,867	5,725								13,301	
Alcohol beverages tax	31,100	30,867										30,867	
Motor vehicle fuel taxes	13,000	5,000	744,667	740,428								745,428	
Income taxes	8,559,003	8,254,873	338,612	390,544								8,645,417	
Sales and use taxes	4,074,524	4,067,791	30,044	46,536								4,114,327	
Tobacco taxes	421,158	410,922		5,000								415,922	
Motor vehicle titling taxes			711,000	684,654								684,654	
Insurance company taxes	314,517	303,756	127,554	125,654								429,410	
Horse racing taxes			1,639	1,203								1,203	
Shellfish taxes			450	446								446	
Boxing, wrestling or sparring taxes		429										429	
Boat titling tax			8,098	15,487								15,487	
Energy generation tax			44,820	50,154								50,154	
Emergency telephone system tax			63,518	59,510								59,510	
Total taxes	13,760,148	13,441,536	2,995,872	3,017,044								16,458,580	
Other:													
Licenses and permits	47,521	39,160	577,114	581,341								620,501	
Fees for services	148,350	130,320	1,106,499	981,358								1,111,678	
Fines and costs	152,120	154,879	238,071	224,206								379,085	
Sales to the public	18,547	14,819	242,781	133,630								148,449	
Commissions and royalties	149	4	91,896	73,459								73,463	
Rentals	214	2,644	84,630	99,909								102,553	
Interest on investments	10,000	21,469	3,410	7,411			\$ 1,299			\$ 116		30,295	
Interest on loan repayments			6,000	1,247								1,247	
Miscellaneous	92,185	124,923	397,390	228,379								353,302	
Colleges and universities												3,924,386	
Federal reimbursements and grants					\$ 9,674,970	8,964,204	\$ 2,697,591	\$ 2,650,915	\$ 1,361,483	\$ 1,273,471		8,964,204	
Other reimbursements	150,878	146,550	1,342,107	1,153,584								1,300,134	
Bond issues:													
State - general purpose											1,043,124	1,043,124	
Consolidated transportation bonds												165,000	
State reimbursements	536,802	559,417	315,000	165,000							700	904,454	
Appropriated from other funds			428,119	344,337								1,200,730	
Trust funds												15,919	
Revolving accounts	8,387	6,301	36,980	15,919								20,413	
Total revenues	\$ 14,925,301	\$ 14,642,022	\$ 7,884,102	\$ 7,040,936	\$ 9,674,970	\$ 8,965,503	\$ 3,898,321	\$ 3,851,645	\$ 1,361,483	\$ 1,273,471	\$ 1,043,940	\$ 36,817,517	

STATE OF MARYLAND **Schedule of Budget and Actual Expenditures and Encumbrances By Major Function, Budgetary Basis** **For the Year Ended June 30, 2013**

(Expressed in Thousands)

Expenditures and Encumbrances by Major Function*	Annual Budgeted Funds									
	General Fund		Special Fund		Federal Fund		Higher Education Funds		Capital Projects Fund	
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Current Unrestricted Fund Final Budget	Current Restricted Fund Final Budget	Current Fund Actual	Total Actual
Payments of revenue to civil divisions										
of the State	\$ 111,009	\$ 111,009	\$ 36,576	\$ 36,576	\$ 12,152	\$ 12,101			\$	\$ 147,585
Public debt			910,514	903,881						915,982
Legislative	78,319	77,319	438	438						77,757
Judicial review and legal	499,392	495,603	101,686	88,395	11,714	8,671				592,669
Executive and administrative control	177,064	173,810	326,335	305,098	330,684	303,728				782,636
Financial and revenue administration	249,259	245,806	304,956	174,834						420,640
Budget and management	73,012	70,047	34,377	23,367	51,842	51,268				144,682
Retirement and pension			18,514	18,511						18,511
General services	54,342	54,165	3,767	3,749	1,116	1,116				59,030
Transportation and highways			2,920,099	2,763,552	942,977	851,952				3,615,504
Natural resources and recreation	48,535	48,230	123,135	110,569	33,350	26,081				184,880
Agriculture	28,305	27,075	55,095	53,401	5,154	3,671				84,147
Health, hospitals and mental hygiene	3,814,121	3,811,447	1,400,813	1,334,592	4,692,795	4,554,321				9,700,360
Human resources	662,195	660,262	113,333	107,082	1,905,577	1,836,933				2,604,277
Labor, licensing and regulation	37,209	36,620	117,523	110,917	171,455	168,552				316,089
Public safety and correctional services	1,104,203	1,095,439	154,773	141,038	36,854	33,756				1,270,233
Public education	7,180,903	7,171,337	631,748	614,751	1,082,522	973,921	\$ 3,898,321	\$ 1,361,483	\$ 1,274,643	13,832,157
Housing and community development	6,870	6,870	103,883	86,503	275,245	263,576				356,949
Business and economic development	58,640	58,427	82,093	76,956	21,742	3,475				138,858
Environment	32,584	32,428	354,481	340,701	83,651	78,029				451,158
Juvenile services	270,207	269,501	4,369	3,114	11,461	8,622				281,237
State police	214,379	213,814	85,594	84,772	4,679	4,447				303,033
State reserve fund	37,758	37,758							\$ 1,009,745	37,758
Loan accounts										1,009,745
Reversions:										
Current year reversions	(30,000)									
Prior year reversions										
Total expenditures and encumbrances	\$ 14,708,306	\$ 14,674,639	\$ 7,884,102	\$ 7,287,297	\$ 9,674,970	\$ 9,107,102	\$ 3,898,321	\$ 1,361,483	\$ 1,273,654	\$ 37,148,644

*Appropriation and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal Funds" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Changes in Fund Equities - Budgetary Basis
For the Year Ended June 30, 2013

(Expressed in Thousands)

	General Fund		Special Fund		Federal Fund	Higher Education Funds		Capital Projects Fund	Total
	General	State Reserve	Special	Debt Service		Current Unrestricted Fund	Current Restricted Fund		
Fund equities, June 30, 2012.....	\$ 622,844	\$ 674,354	\$ 1,434,119	\$ 201,325	\$ 8,965,503	\$ 915,807	\$ 5,604	\$ 167,572	\$ 4,021,625
Increase:									
Revenues.....	14,598,115	43,907	6,140,699	900,237	\$ 8,965,503	3,851,645	1,273,471	1,043,940	36,817,517
Decrease:									
Appropriations.....	14,738,306		6,973,588	910,514	9,674,970	3,898,321	1,361,483		
Less: Current year reversions.....	(41,339)		(494,672)	(6,633)	(490,750)	(100,816)	(86,840)		
Prior year reversions.....	(22,328)		(95,500)		(77,118)	(1,298)	(989)		
Expenditures and encumbrances*.....	14,674,639		6,383,416	903,881	9,107,102	3,796,207	1,273,654	1,009,745	37,148,644
Changes to encumbrances during fiscal year 2013.....	(27,491)		(163,114)		52,031	2,298	273		(136,003)
Expenditures.....	14,647,148		6,220,302	903,881	9,159,133	3,798,505	1,273,927	1,009,745	37,012,641
Transfers in (out).....	27,269	1,938	398,257	1,561	193,630	(8,545)	280		614,390
Fund equities, June 30, 2013.....	\$ 601,080	\$ 720,199	\$ 1,752,773	\$ 199,242	\$ -	\$ 960,402	\$ 5,428	\$ 201,767	\$ 4,440,891
Fund Balance:									
Reserved:									
Encumbrances.....	\$ 99,182	\$ -	684,786	\$ -	431,476	717	212	543,730	1,760,103
State reserve fund.....	\$ -	720,199	\$ -	1,944	\$ -	\$ -	\$ -	\$ -	720,199
Loans and notes receivable.....			\$ -						1,944
Shore erosion loan program.....			8,849						8,849
Gain/Loss on Investments.....			992						992
Unreserved:									
Designated for:									
General long-term debt service.....				197,298					197,298
2014 operations.....	557,588								557,588
Undesignated surplus (deficit).....	(55,690)		1,058,146		(431,476)	959,685	5,216	(341,963)	1,193,918
Total.....	\$ 601,080	\$ 720,199	\$ 1,752,773	\$ 199,242	\$ -	\$ 960,402	\$ 5,428	\$ 201,767	\$ 4,440,891

* Appropriations and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal Funds" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Funds Transferred to Political Subdivisions
For the Year Ended June 30, 2013 (1)
(Expressed in Thousands)

Subdivision	State Sources				Other Sources				Assessed Value of Real and Personal Property (2)	Amount Per \$100 of Assessed Value							
	Shared Revenues	Direct Grants and Appropriations		Debt Service	Total	Federal Funds	State Administered Local Revenue										
Allegany.....	\$ 425	\$	119,110	\$	2,140	\$	121,675	\$	20,135	\$	26,274	\$	168,084	\$	3,921,953	\$	4.29
Anne Arundel.....	2,568		461,195		51,049		514,812		77,719		434,508		1,027,039		75,821,770		1.35
Baltimore County.....	3,624		795,542		52,874		852,040		140,253		625,305		1,617,598		78,166,821		2.07
Calvert.....	557		108,549		5,622		114,728		13,081		72,648		200,457		12,108,022		1.66
Caroline.....	354		59,420		1,084		60,858		11,854		11,037		83,749		2,644,133		3.17
Carroll.....	991		190,596		11,272		202,859		27,744		129,734		360,337		18,555,512		1.94
Cecil.....	573		135,499		8,459		144,531		21,912		53,915		220,358		9,653,066		2.28
Charles.....	831		215,949		23,671		240,451		27,617		100,181		368,249		16,212,939		2.27
Dorchester.....	393		49,766		908		51,067		12,122		12,206		75,395		2,990,549		2.52
Frederick.....	1,191		296,381		26,830		324,402		31,764		176,835		533,001		25,447,921		2.09
Garrett.....	467		39,888		40,068		40,355		9,333		14,460		64,148		4,815,917		1.33
Harford.....	1,238		285,139		50,310		326,445		37,018		196,365		559,828		25,535,956		2.19
Howard.....	1,386		319,739		50,310		371,435		34,757		375,738		781,930		44,034,547		1.78
Kent.....	202		20,262		104		20,568		6,276		11,951		38,795		2,853,030		1.36
Montgomery.....	3,253		890,899		62,314		956,466		132,973		1,319,413		2,408,852		164,865,107		1.46
Prince George's.....	2,549		1,190,108		74,503		1,267,160		185,533		520,793		1,973,486		75,675,535		2.61
Queen Anne's.....	467		52,240		346		53,053		8,722		44,202		105,977		7,707,895		1.37
St. Mary's.....	683		126,324		1,301		128,308		20,665		82,825		231,798		11,964,432		1.94
Somerset.....	250		40,080		120		40,450		11,001		6,595		58,046		1,437,824		4.04
Talbot.....	288		22,332		472		23,092		8,198		29,961		61,251		8,867,407		0.69
Washington.....	776		214,389		15,401		230,566		34,052		71,053		335,671		12,380,433		2.71
Wicomico.....	573		165,456		4,991		171,020		31,888		43,613		246,521		6,305,528		3.91
Worcester.....	451		37,099		141		37,691		14,980		20,192		72,863		15,121,107		0.48
Baltimore City.....	119,143		1,375,443		59,314		1,553,900		329,647		301,063		2,184,610		35,594,030		6.14
Total.....	\$ 143,233	\$	7,211,405	\$	493,294	\$	7,847,932	\$	1,249,244	\$	4,680,867	\$	13,778,043	\$	662,681,434		

(1) In addition to the amounts shown for counties and Baltimore City, \$151,044,000, was distributed to municipalities within the counties.

(2) Source: Sixty-ninth Report of the Department of Assessments and Taxation, dated January 2013. Assessed value of property is 100%

STATE OF MARYLAND
Schedule of Taxes Receivable from
Collectors of State Property Taxes
June 30, 2013

(Expressed in Thousands)

Political Subdivision	Taxes Receivable		
	Current Year	Prior Years	Total
Allegany.....	\$ 593	\$ 295	\$ 888
Anne Arundel.....	1,107	85	1,192
Baltimore County.....	821	157	978
Calvert.....	383	12	395
Caroline.....	58	7	65
Carroll.....	208	14	222
Cecil.....	86	480	566
Charles.....	62	77	139
Dorchester.....	388	115	503
Frederick.....	66	219	285
Garrett.....	331	19	350
Harford.....	175	12	187
Howard.....	57	981	1,038
Kent.....	213	17	230
Montgomery.....	854	(1,411)	(557)
Prince George's.....	219	296	515
Queen Anne's.....	17	6	23
St. Mary's.....	342	39	381
Somerset.....	209	257	466
Talbot.....	22	2	24
Washington.....	317	(25)	292
Wicomico.....	97	82	179
Worcester.....	573	57	630
Baltimore City.....	17,174	(4,319)	12,855
Total.....	\$ 24,372	\$ (2,526)	\$ 21,846

STATE OF MARYLAND
Schedule of Estimated Revenues - Budgetary Basis
For the Year Ending June 30, 2014
(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Income Taxes.....	\$ 8,781,415	\$ 245,539			\$	9,026,954
Retail sales and use tax and licenses.....	4,223,686	47,822				4,271,508
Motor vehicle fuel taxes and licenses.....	5,000	745,400				750,400
Motor vehicle tax and licenses.....		1,101,500				1,101,500
Property taxes.....	89,199	784,883 (1)				874,082
Insurance company taxes, licenses and fees.....	319,157					319,157
Franchise and corporation taxes.....	216,238					216,238
State tobacco tax and licenses.....	417,689					417,689
Alcoholic beverages taxes and licenses.....	32,995					32,995
Death taxes.....	218,627					218,627
Miscellaneous taxes, fees and other revenues.....	173,369	174,330 (1)	\$ 12,381 (1)			360,080
Budgeted tobacco settlement recoveries.....		151,303				151,303
Horse racing taxes and licenses.....		2,888				2,888
District courts fines and costs.....	78,280					78,280
Interest on investments.....	15,000	2,000				17,000
Hospital patient recoveries.....	60,076					60,076
Legislative.....	42					42
Judicial review and legal.....	73,719	124,306	7,398			205,423
Executive and administrative control.....	7,839	305,767	227,414			541,020
Financial and revenue administration.....	16,159	49,829				65,988
Budget and management.....	4,416	30,417	10,026			44,859
Maryland Lottery and Gaming Control Agency....	529,761	409,707				939,468
Information technology development.....	7,000	11,496	10,138			28,634
Retirement and pension.....		19,535				19,535
General services.....	91	3,418	1,158			4,667
Transportation and highways.....		1,005,648	1,010,532			2,016,180
Natural resources and recreation.....	235	74,418	31,785			106,438
Agriculture.....	167	37,822	5,533			43,522
Health, hospitals and mental hygiene.....	41,397	1,114,571	5,127,382			6,283,350
Human resources.....	1,661	101,001	1,801,630			1,904,292
Labor, licensing and regulation.....	12,081	123,230	163,387			298,698
Public safety and correctional services.....	11,694	155,724	25,800			193,218
Public education.....	47,486	84,004	988,276	\$ 4,013,106	\$ 1,351,604	6,484,476
Housing and community development.....	1,022	86,492	270,514			358,028
Business and economic development.....	640	66,083	1,782			68,505
Environment.....	904	261,327	78,327			340,558
Juvenile justice.....		4,439	7,410			11,849
State police.....	7,221	82,495	500			90,216
Total estimated revenues (2).....	\$ 15,394,266	\$ 7,407,394	\$ 9,781,373	\$ 4,013,106	\$ 1,351,604	\$ 37,947,743

(1) Includes \$900,125,000, recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2013, and do not reflect revisions, if any, subsequent to that date.

STATE OF MARYLAND
Schedule of General, Special, Federal, Current Unrestricted
and Current Restricted Fund Appropriations - Budgetary Basis
For the Year Ending June 30, 2014
(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Payments of revenue to civil divisions of the State.....	\$ 155,467				\$	155,467
Public debt.....	83,000	\$ 887,744 (1)	\$ 12,381			983,125
Legislative.....	80,463					80,463
Judicial review and legal.....	516,995	125,263	7,398			649,656
Executive and administrative control.....	273,169	308,767	227,414			809,350
Financial and revenue administration.....	276,639	119,220				395,859
Budget and management.....	121,027	41,912	20,164			183,103
Retirement and pension.....		19,535				19,535
General services.....	61,406	3,418	1,158			65,982
Transportation and highways.....		3,051,016	1,010,532			4,061,548
Natural resources and recreation.....	50,621	165,397	31,785			247,803
Agriculture.....	27,648	52,958	5,533			86,139
Health, hospitals and mental hygiene.....	3,906,934	1,254,180	5,127,382			10,288,496
Human resources.....	647,812	101,001	1,801,630			2,550,443
Labor, licensing and regulation.....	43,710	124,643	163,387			331,740
Public safety and correctional services.....	1,124,686	155,723	25,800			1,306,209
Public education.....	7,640,489	495,780	988,276	\$ 4,013,106	\$ 1,351,604	14,489,255
Housing and community development.....	8,710	86,492	270,514			365,716
Business and economic development.....	85,646	66,083	1,782			153,511
Environment.....	37,236	261,327	78,327			376,890
Juvenile justice.....	280,804	4,439	7,410			292,653
State police.....	227,333	82,496	500			310,329
State reserve fund.....	55,256					55,256
Total appropriations (2).....	\$ 15,705,051	\$ 7,407,394	\$ 9,781,373	\$ 4,013,106	\$ 1,351,604	\$ 38,258,528

(1) Recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2013, and do not reflect revisions, if any, subsequent to that date.



Comptroller of Maryland

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